FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

No. 28,257 Monday September 1 1980 25p

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 28; DENMARK Kr 5.00; FRANCE Fr 4; GERMANY DM 2.0; ITALY L 800; NETHERLANDS Fl 2.0; NORWAY Kr 5.00; PORTUGAL Esc 45; SPAIN Pts 70; SWEDEN Kr 5.00; SWITZERLAND Fr 2.0; EIRE 25p; MALTA 20c

NEWS SUMMARY

GENERAL

Pope plans British visit

Pope John Paul II will visit Britain, probably in the summer of 1982, it was announced yesterday.

It will be the first visit to Britain by a reigning Pope, but will not include a visit to Northern Ireland.

Militant protestants responded angrily to the announcement, and the Rev. Ian Paisley, Ulster MP, complained to Downing Street that the invitation was unconstitutional.

The invitation was made by Cardinal Basil Hume, Archbishop of Westminster, and The Most Rev. Derek Worlock, Archbishop of Liverpool.

TUC warning

TUC leaders predicted that the new labour laws were certain to be disobeyed and that trade unionists would be jailed. Back Page; Union membership drop expected, Page 6.

Unity 'threat'

Labour Party Right-wingers said the National Executive Committee posed the gravest threat to the party's unity and to the re-election of a Labour government. Back Page.

Saudis hold back

Saudi Arabia will not press for changes in the specifications of F-15 aircraft on order from the U.S. until after the American presidential election, but it has not renounced its demand. Page 2.

Tax proposals

Proposals to end alleged tax discrimination against women are contained in a discussion paper being drafted by the Treasury and Inland Revenue for publication soon.

TV jobs offer

One of Westward Television's rival bidders for the West Country commercial television franchise area guaranteed Westward staff jobs if it won the contract. Back Page and Page 6

Smith campaign

Former Rhodesian Prime Minister Ian Smith has launched a campaign to re-establish himself as the leader of Zimbabwe's white minority. Page 2

Salisbury fare cut

British Airways and Air Zimbabwe received Government approval to introduce a new low fare of £410 return from London to Salisbury.

Hostages freed

A group of about 160 Cuban refugees who held 15 people hostage in a U.S. airliner at Lima airport left the plane after the Peruvian authorities agreed to transport them to other countries.

Basque tension

Renewed violence is feared in northern Spain after a radical Basque nationalist was shot dead by Right-wingers. Page 2

Grand Prix win

Brazilian racing driver Nelson Piquet won the Dutch Grand Prix. He is now two points behind Australian Alan Jones at the top of the world championship table.

Briefly . . .

Six British servicemen became the first to parachute across the Channel after leaving their aircraft at 25,000 ft. above Dover.

One man was lost overboard and five were saved after the British barge Vabil ran aground off the Dutch coast.

BUSINESS

Bill Sirs claims steel bid frustrated

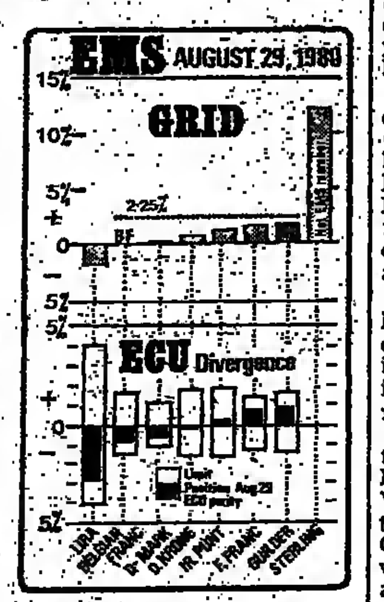
● **BRITISH STEEL** has advanced the closure date for its Consett plant to frustrate a "positive and serious" bid, Bill Sirs, general secretary of the Iron and Steel Trades Confederation, said yesterday.

Mr. Sirs said a consortium was to meet Department of Industry officials today to discuss the plant, which BSC wants to shut on September 6 with the loss of 3,500 jobs. The corporation brought the closure date forward from September 30 because it had heard about the bid, he said.

Early closure could damage brickwork and equipment, discouraging potential buyers. A sit-in has been discussed by the work force, Mr. Sirs said.

● **DUTCH GUILDER** rose to the top of the European Monetary System last week, while the Irish punt, which had been the strongest currency at the end of the previous week, retreated to third place behind the French franc. The D-mark improved slightly, rising above the Belgian franc, but the Italian lira weakened further at the bottom of the system.

Despite an improvement by the dollar on Friday, EMS members gained ground against the U.S. currency last week, but declined against sterling. The pound rose to its highest level since April 1975 in terms of the French franc, breaking through the FFr 10 level on Wednesday, and touching a four-year high against the D-mark on the same day.



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● **UK INVESTMENT** in manufacturing is both lower than in France and West Germany and less effective in increasing output, says a National Economic Development Office report. Page 4

● **LLOYD'S** proposals for self-regulation in the insurance market are expected to generate strong opposition among brokers. Back Page; profit forecast, Page 6

● **BUILDING SOCIETIES'** net income is estimated at under £300m in August against £340m in July. Page 4

● **PUBLIC** sector debt sales to individuals should be increased through new national savings schemes to release institutional funds for corporate investment, a stockbrokers' report says. Page 4 Gilt-edged market, Lex. Back Page

● **NORTH SEA OIL** spot prices have fallen $5 to between $31 and $32 a barrel, says a stockbroker's report. Page 4

● **VOLVO** is to cut the UK price of more than 200 truck spare parts by up to 55 per cent. Page 4

CONTENTS

For latest Share Index phone 01-246 8026

Signing of accord brings return to work in Poland

BY CHRISTOPHER BOBINSKI IN GDANSK

THE POLISH authorities yesterday formally conceded the right of workers to have their interests represented by independent trade unions.

This is an historic innovation in the Communist bloc, where the system is based on party control of all key institutions.

The concession came in a 21-point agreement signed yesterday afternoon by Mr. Mieczyslaw Jagielski, a deputy premier, and Mr. Lech Walesa, the Gdansk strike leader. It ended the 18-day-old strike in the city which, in its closing stages, threatened to develop into a national stoppage.

Only after a special session of the Communist Party central committee in Warsaw on Saturday afternoon did Mr. Jagielski get approval from the leadership to concede the point which sets up the new trade unions alongside the existing State-dominated union structure.

The signing of the agreement was delayed until late yesterday afternoon, while strike leaders negotiated over the release from prison of some 10 human rights activists who have recently been detained, some of whom were charged with taking part in an anti-Government organisation.

Mr. Jagielski announced that the state prosecutor had been instructed to release from detention everyone on the list presented by the strikers. He said he had received assurances they would all be freed by noon today. The list included Mr. Jacek Kuron, Mr. Adam Michnik and other leading dissidents who had been aiding the strike effort.

The deputy Prime Minister also said no action would be taken against the strikers or those who assisted them unless they had committed criminal offences.

Mr. Jagielski's announcement that the detainees would be freed was seen as another major concession by the authorities, following an article published only on Saturday in Trybuna Ludu, the official party newspaper, which attacked Mr. Kuron and Mr. Michnik. The strike leaders had apparently made it clear that they would order a new strike if their conditions were not met.

Mr. Walesa told a cheering crowd: "We have not achieved everything, but we have achieved all that it was possible to achieve in the present circumstances. We have independent, self-governing trade unions and the right to strike.

"We are glad the long negotiations are over. It shows that people can always reach agreement if they really want to.

"We return to work on September 1 and on that day we will be thinking of our homes, our families, and work for our homeland."

The new unions are said to have been given the right to introduce legislation to Parliament directly rather than through union deputies as had been the case. They would also have the right to challenge the qualifications of factory directors. It was unclear whether they could remove them from their posts.

Some workers expressed concern about riders attached to the settlement which called for additional discussion on some points, establishment of commissions to look into others at greater length, and setting future dates by which details of

Continued on Back Page
Editorial comment Page 12
Deal ends Szczecin strike Page 2

Sharp cuts in China after £4.6bn budget deficit

BY TONY WALKER IN PEKING

CHINA HAS reacted savagely to a large, and unplanned budget deficit in 1979, by slashing this year's public spending across the board.

After revealing a deficit equivalent to about $11bn (£4.6bn), instead of the forecast balanced budget, Mr. Wang Bingqian, the new Finance Minister, announced heavy reductions in most areas of expenditure. The cuts will amount to about $8bn this year.

The poor 1979 performance is likely to prolong China's process of economic readjustment. This is bad news for companies wishing to negotiate new contracts with the Chinese.

It will also complicate the task of economic reformers like Mr. Deng Xiaoping, the senior Vice Premier, who have pinned their hopes on the success of China's modernisation drive, which in turn, is dependent on a buoyant economy.

Despite the gloomy economic news, Mr. Wang still attempted to sound optimistic in his address at the weekend to the opening session of the National People's Congress — China's Parliament.

He said: "China's financial deficit last year did not cause any big increase in the money supply, nor bring serious difficulties to the economy."

The strong measures adopted by the Chinese leadership to reduce the deficit suggest Mr. Wang was not being entirely candid. According to statistics released at the weekend China will have a deficit of about $5bn this year, despite the stringent cost-cutting measures.

The 1979 budget details represent some of the most detailed public accounting of China's economic difficulties since the Communists took over in 1949.

Mr. Yao Yilin, the new chief of the State Planning Commission (China's economic policy-making body) insisted, however, that good progress was being made. "China's 1980 economic plan is being smoothly implemented and it is estimated that the set targets for both agriculture and industry will be overfulfilled.

New progress has been made in the readjustment, restructuring, consolidation and improvement of the national economy."

Mr. Yao admitted, however, that "calamities" in agricultural production had resulted in a 10 per cent cut in the output of summer crops. This is much more than the rumoured 6 per cent.

The main reason for the large deficit was staggering overexpenditure. For example, wages to urban workers overran estimates by about 35 per cent, defence expenditure by about 10 per cent and payments for agricultural produce by about 25 per cent.

China's failure to control spending may explain why a new head of the State Planning Commission and a new Finance Minister have been appointed recently.

Cuts in expenditure have severely affected funds going to

Continued on Back Page
Hua's replacement to be confirmed Page 2

Airbus considers new models

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRBUS INDUSTRIE, the European group building the A-300 and A310 Airbus aircraft, is now discussing with world airlines the possibility of developing new versions.

These would include a "stretched" model, the TA-9, seating between 350 and 400 passengers against the 250-300 in the existing A-300 Airbus, and a new short-range model of 130-170 seats, called the Single Aisle or SA series.

These would be additional to the existing A-300 and A-310 models, which would continue in full production.

Development costs of both new types would be high — probably about £250m for the stretched version, and more than £500m for the new SA series.

The new aircraft will be needed through the 1980s and beyond to compete with the big U.S. airliners, such as the Lockheed TriStar and the McDonnell Douglas DC-10, and, so far as the SA series is concerned, to compete with new shorthaul aircraft now planned in the U.S.

British Aerospace has a 20 per cent stake in Airbus Industries. The other partners are Aerospatiale of France, with 37.9 per cent, Deutsche Airbus (Messerschmidt-Bolkow - Blohm and VFW) of West Germany with 37.9 per cent and CASA of Spain with 4.2 per cent. Fokker of the Netherlands is an associate member on the A-300 programme, while the recently formed Belairbus of Belgium is an associate on the A-310.

Mr. Barnard Lathiere, president of Airbus Industrie, said at the Farnborough Air Show yesterday that decisions on both new types of aircraft would be dictated solely by demand.

He expected that such decisions might be taken by the middle of next year. "We are very serious about these programmes. We must keep up with the market. We are not in business to build aircraft the airlines do not want."

Mr. Lathiere said that, so far as the smaller SA series of aircraft was concerned, Airbus Industries was interested in the possibilities of collaboration with Japan.

Total orders for existing versions of the Airbus now amount to 421 aircraft for 36 airlines, of which 282 are for the A-300 (already in service) and 139 are for the new A-310, now being developed and due to be delivered to airlines from 1983.

Airbus Industrie is confident that it will be able to sell well over 1,000 aircraft by the early 1990s—well beyond the estimated break-even point of 800.

Farnborough report Page 4

Iran leaders split over Cabinet

BY SIMON HENDERSON IN TEHRAN

IRAN'S PRESIDENT, Mr. Abolhassan Bani-Sadr, yesterday refused to approve the new 20-man Cabinet proposed by Mr. Mohammed Ali Rajai, Iran's recently-appointed Prime Minister. The proposal became the centre of a political storm.

The Cabinet list, comprising largely unknown men and including only six present Ministers, is dominated by supporters of the hardline Islamic Republican Party. This is at odds with President Bani-Sadr.

Among present Ministers set to lose their jobs are Mr. Sadeq Qotbzadeh, in charge of foreign affairs, and Mr. Ali Akbar Moinfar, the oil Minister. The new Foreign Minister-designate is Mr. Hossein Moussavi, editor of the IRP's newspaper. The candidate to take over the oil portfolio is Mr. Asghar Ibrahimi, at 27 the youngest in the proposed Cabinet.

The list has to be approved by the Parliament, which is expected to start debating it later this week.

If approved, the new Cabinet will take over from the interim Cabinet which has governed with the Revolutionary Council since the administration of Mr. Mehdi Bazargan collapsed last November, two days after the U.S. embassy was seized.

An indication of the sharp political differences between President Bani-Sadr and Mr. Rajai is that the defence portfolio is left empty. Along with the Interior Ministry, the President is believed to have insisted on approving the candidate for the defence post. The present Interior Minister, Ayatollah Madavi Kani, is the only clergyman in the new Cabinet.

Lack of information makes it initially impossible to categorise the proposed Cabinet accurately. Its average age is said to be 37, five of its members, including the oil Minister, were educated in American universities, and five served prison sentences for activities against the late Shah before the 1979 revolution.

Although Mr. Rajai can use the effective majority of the IRP to win approval of the Cabinet in Parliament, it is not expected that Ayatollah Khomeini will intervene to adjudicate any remaining differences with President Bani-Sadr.

Big drop in food industry profits

By David Churchill, Consumer Affairs Correspondent

A SHARP FALL in the profitability of UK food manufacturers is revealed in the latest survey of the industry, published by the Food and Drink Industries Council.

It shows that in the first three months of this year the profit margins of food manufacturers fell to their lowest for five years, and were just over a third of the level reached 10 years ago.

Pre-tax profits as a percentage of sales in the first three months of the year were 2.65 per cent on a seasonally adjusted basis. In the last quarter of 1979, the level was 4.85 per cent and, for last year as a whole, the figure was 4.39 per cent.

No figures are yet available for profitability since March, but few in the food industry expect any major improvement in profit margins this year.

Warned

The low level of the manufacturers' present profitability, which has come on top of a gradual erosion of profit margins over the past decade, could force some companies out of business. Already, several companies have been forced to lay off workers and put others on short-time working.

Mr. James Cleminson, president of the Food Manufacturers' Federation, has already warned that food prices will need to rise by about 20 per cent this year, just to maintain the manufacturers' current profit levels.

The food and drink industries survey, based on data collected by the Institute of Grocery Distribution, also reveals that the liquidity of food manufacturers fell by a further £63.8m in the first quarter of this year. This has forced food companies to increase their short-term borrowings which, at the current high interest rates, has further affected profitability.

Background, Page 4

£ in New York

—	Aug. 29	Previous
Spot	$2.4010-4040	$2.3885-3895
1 month	1.12-1.07 dis	1.15-1.10 dis
3 months	2.58-2.51 dis	2.74-2.69 dis
12 months	5.75-5.55 dis	5.00-5.80 dis

Industry price rises 'least for a decade'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BRITISH manufacturing companies are raising their prices less frequently and by smaller amounts than at almost any time in the last decade.

The Confederation of British Industry's monthly trends inquiry, published this morning, shows a marked fall in the proportion of companies expecting to raise their domestic selling prices in the next four months.

The survey shows 30 per cent of companies questioned plan to raise prices and 14 per cent to cut them. At the end of July, the figures were 43 and 10 per cent respectively. In January the proportions were 68 and 1 per cent.

Squeeze

The last time the net balance of companies planning to increase rather than to cut prices was last as low as it is now was October 1968.

There are wide differences between industries. In the intermediate goods sector, principally chemicals and metal manufacturing, more companies expect to lower prices than to increase them. The same applies in 11 out of 44 individual industry groups.

These figures highlight in the most dramatic form so far the extent of the squeeze on British indusrty.

Falling demand, intensified competition, and the desire to reduce excess stocks are limiting the ability of companies to raise prices. There is some evidence that cost increases may be less widespread than earlier in the year, but unit labour costs have still been rising rapidly.

The CBI therefore estimates that the profit margins of manufacturing companies are still being reduced. This view is in line with ICI's warning last Thursday after the sharp fall in its second quarter profits.

The other side of the picture is that the CBI expects the annual rate of growth of wholesale output prices—currently 16½ per cent—to be less than 14 per cent by November. In time this should be reflected in a further reduction in the rate of retail price inflation.

The small percentage of companies planning to raise prices could, to some extent, be a temporary phenomenon which will last only as long as the current phase of attempts to cut stocks.

Looking ahead, the CBI reports growing information from its regional offices, from its committees and from other sources about a "more realistic approach" to pay claims and settlements. There is some caution about interpreting these references in view of the small number of deals in the summer, but the unanimity of comment is possibly significant.

This evidence has been taken into account in revised forecasts by CBI staff economists. These imply a reduction in the annual rate of earnings growth —currently 21 per cent—to about 13 per cent by mid-1981 with a reduction in the rate of price inflation to a slightly lower level by then. The CBI is forecasting a 6.8 per cent drop in manufacturing output this year and a further 3.4 per cent decline in 1981.

The latest CBI inquiry provides further evidence of a weakening in demand with below normal order books, especially in metal manufacturing. Demand has been least affected in the capital goods sector, notably in electrical engineering. The proportion of companies reporting more than adequate stocks of finished goods is still rising.

The explanation is partly that the bulk of any reduction in stock levels has occurred in the wholesaling and retailing sectors. In general, manufacturing companies have been able to cut only stocks of materials and fuel and of work in progress. They have not yet been able to reduce stocks of finished goods significantly in the face of a sharp fall in orders.

Recession

Broadly similar conclusions about the economic outlook are reported in the latest Financial Times survey of business opinion, also published this morning. This shows a reduction in the level of expected wage, unit cost and price rises in the next year.

The deepening recession is showing up clearly in falling demand, deliveries and expected output levels. Business confidence is at about its lowest for more than six years.

The FT survey this month covers the engineering, brewing and distilling, and the paper and connected sectors. The interviews were carried out in the first fortnight of August, the same period as the CBI inquiry, which included 1,887 replies from manufacturing industry.

Howe attempts to regain initiative, Back Page
NEDO urges industry to adapt, Page 4
Business opinion survey, Page 18

Linowitz starts bid to revive Camp David

By David Lennon in Tel Aviv

PRESIDENT CARTER'S special Middle East envoy, Mr. Sol Linowitz, this morning starts two days of talks with Mr. Menahem Begin, the Israeli Prime Minister, at the beginning of a visit to Israel and Egypt in search of some way out of the deadlock over Palestinian autonomy.

Mr. Linowitz yesterday cautioned that "it would be tragic if we were to let the promise of Camp David slip away," adding that the responsibility lay with all parties to ensure that this did not happen.

But the prospects for the success of his mission appear slight, given the Israeli insistence that the key to restarting the suspended talks lies with Cairo, and Egypt's demand that Israel alter its stance over Jerusalem and Jewish settlements if any progress is to be made.

Mr. Begin reported to the Cabinet yesterday that in a note delivered on Friday, Egypt's President Sadat had stated he was not interested in resuming the autonomy negotiations at this stage.

"Given the present circumstances," the President is reported to have said, "I still believe our common interests will be better served by a summit conference at the proper time."

Underlining the Egyptian refusal to restart the talks was a blunt charge by Mr. Kamal Hassan Ali, the Egyptian Foreign Minister, on Saturday, that the current Linowitz mission was simply part of the Carter Administration's attempt to revive the Camp David process for U.S. electoral purposes.

Mr. Linowitz began his talks in Israel last night with Dr. Yosef Burg, the Interior Minister, who heads the Israeli autonomy negotiating team. Before the meeting, the Israeli Minister said that he was waiting to see whether the U.S. envoy had brought any new proposals with him for getting the Egyptians back to a negotiating table.

Meanwhile, three Arab families whose homes are beside the new Government buildings in Arab east Jerusalem into which Mr. Begin plans to move his office, have been served with eviction notices.

The families have refused offers of compensation and said that they would resist

Saudis to hold back demand for improved F-15s

BY RICHARD JOHNS IN JEDDAH

THE SAUDI ARABIAN Government has decided not to press for changes in the specifications of F-15 aircraft on order from the U.S. until after the American presidential election.

Saudi Arabia has by no means renounced its demand, however, and after the November election the Kingdom is likely to make the issue a test of U.S. friendship, just as it did with the original deal that also met stiff Congressional objections.

Eventually the U.S. undertook to supply 60 F-15s at a cost of $2.9bn, plus $2bn for infrastructure and back-up services. More recently, Saudi Arabia is understood to have ordered two more aircraft. Pilot training is scheduled to start in the U.S. next year, and first deliveries are due to be made in 1982.

Saudi Arabia is determined to obtain agreement from the U.S. for modifications that would give the F-15s far greater range and striking power, according to a senior adviser to the Royal family. He confirmed that the request for the changes had been made earlier in the summer.

Policy here has been to leave the question dormant for the time being, following the letter to President Carter early in July, signed by 68 Senators. It urged him to reject the sale of additional equipment, and reminded him of assurances given in 1978 to clear the way for approval of the original deal.

Nevertheless, Prince Sultan, minister of defence said in Taif last Thursday that provision of the equipment was a "foregone conclusion." He added: "We do not make requests that are denied to us."

For its part the U.S. Administration has told the Saudi Government that the request is not under active consideration. But the Pentagon and the State Department evidently believe that there is considerable justification for allowing Saudi Arabia a more offensive, long-range version of the F-15 because of developments in the region over the past two years. They also tend to dismiss the misgivings of the pro-Israeli lobby.

To obtain the Senate's approval in 1978, Mr. Harold Brown, U.S. Secretary of Defence, gave assurances that the Kingdom would be supplied only with the interceptor variety of the F-15, without auxiliary tanks suited for refuelling by Saudi Arabia's C-130 tankers, multiple ejection bomb racks or "any other systems or armaments that could increase the range or enhance the capability of the F-15."

Prince Sultan . . . confident of agreement.

The Saudis now want not only these features but also extra fuel pods for the aircraft, which are to be based at Dahran in the Eastern province to protect the oilfields, and at Khamis Mushayt in the South West to guard against any threat from South Yemen.

The Saudi leadership is obsessed currently with the danger from the hostile Iranian revolutionary regime which it believes capable of wild military adventurism.

AP-DJ reports from Washington: The U.S., citing recent terrorist incidents "which appear to have had Iraqi involvement or support," has turned down an Iraqi request for the purchase of five Boeing civilian aircraft.

A statement by the State Department at the weekend offered no elaboration but it is apparent the rejection was based on separate incidents several weeks ago in West Berlin and in Vienna.

Iraq has sought the purchase of three Boeing 727 jetliners and two 747s.

28-point deal ends Szczecin strike

SZCZECIN: The principal newspaper in this Polish city, Szczecinski, has published the 28 points of the strike settlement for the port and observers believe they could become the model for separate agreements throughout Poland.

The details were given under a banner headline: "We achieved agreement—Szczecin comes back to work: Government commission signed agreement this morning." They are:

- Creation of self-governing trade unions of a socialist character according to the Polish constitution. Strike committees to become new worker commissions and to prepare elections to the new trade unions.
- A special Government programme to be carried out by December 31 on prices and availability of supplies.
- Pay rises to be granted, with emphasis on lowest-paid workers.
- Retirement benefits to be raised by January 1, 1981.
- Workers disabled at work to get same pay even if forced to take lower paid work.
- Women with babies may stay at home for three years, as under present law, but will be compensated during the entire period.
- Family allowances to be raised to same level as militia and army family allowances and to be received in three instalments, the first on January 1, 1981.
- The final act of the Helsinki accords to be published as well as the UN's Charter On Human Rights.
- No prosecutions against workers for strike activities.
- No reprisals against political activists if they do not violate socialist principles.
- Dialogue between Church and state to be expanded and more access for Church to the news media.
- Construction of a marble plaque to commemorate workers killed in 1970 rioting at the Szczecin shipyard.
- Health service in Poland to be improved and better supplies of medicines to be guaranteed.
- An end to unannounced price increases for basic goods.
- Distribution of foodstuffs equally in all stores without favouritism.
- An increase in meat supplies.
- No Polish goods in hard-currency shops unless supplies are adequate in shops for Polish public
- Strike situation to be explained to the Polish people.
- More raw materials for enterprises.
- Those who lost jobs because of strike activity between 1970-1980 to be re-employed after case-by-case study.
- Special study of censorship to be completed by November 30.
- Issue of making Saturday, normally a working day, an extra day off to be settled by December 31.
- Reduction in maximum waiting time for housing from the present 12 years to five years.
- Vacation allowance to be increased by end of year.
- Trade unions will be given right to delegate workers to special educational programmes
- Workers to get 40 per cent of wages while on strike.
- Shipyards workers charter to be modified by end of year.
- Agreement to be published by local media and the national Press agency.

The agreement was signed for the strikers by two members of the strike committee, Mr. Marian Juszczuk and Mr. Kazimierz Fiscbbein, Mr. Kazimierz Barcikowski, a Vice-Premier, Mr. Andrzej Zabinski, a Politburo secretary and Mr. Janusz Brych, first secretary of the Szczecin party committee, signed for the Government.

CHINA'S PARLIAMENT MEETS

Hua's replacement to be confirmed

BY TONY WALKER IN PEKING

CHINA'S Parliament, the National People's Congress, opened at the weekend with the first official confirmation that a new Prime Minister will be appointed during the session.

Marshal Ye Jianying, the 82-year-old chairman of the congress's standing committee, told more than 3,000 deputies that one of their main tasks over the next 10 days would be to appoint a new Prime Minister.

An important item on the agenda, he said, would be to hear a speech by Hua Guofeng, Premier of the State Council, and then to decide on the appointment of the Premier on the proposal of the central committee of the Communist Party of China. The delegates would also have to decide on or elect other leading state personnel.

Zhao Ziyang, the 61-year-old Prime Minister-designate, sat in the row behind Marshal Ye as he announced the leadership change. Mr. Hua, the outgoing Premier, was in the same row.

"We must take effective

Zhao Ziyang . . . in the wings

measures to change the state of affairs wherein leading personnel hold too many posts with the consequence that power becomes too concentrated." Marshal Ye said. "We must select and appoint to leading posts those cadres who have distinguished themselves in practical work, who enjoy popular support and who are in the prime of life."

Marshal Ye was foreshadowing a big leadership shake-up. Among those resigning their vice-premierships are veteran officials like Deng Xiaoping, senior vice-Premier and Li Xiannian, the long-serving Economic Minister. Both will retain party vice-chairmanships.

The third session of the fifth National People's Congress is the first occasion that Peking-based foreign correspondents have been able to attend since the Congress of 1960.

Matters to be dealt with include an amendment to article 45 of the constitution, removing the people's right to hold what are described as "great debates" and to paste up "big character posters." This constitutional encouragement to free expression is blamed for problems that arose during the Cultural Revolution.

A revised marriage law and a new citizenship law will also be approved.

According to Marshal Ye, China has made tremendous progress since last year's National People's Congress.

"The readjustment of the national economy has achieved marked success, socialist democracy and the legal system have been strengthened, and political stability and unity further consolidated," he said. "The great undertaking of the four modernisations in socialist construction is making steady progress."

Marshal Ye made no mention of severe economic difficulties revealed later by the Minister for Finance.

China's Parliament has met infrequently over the years due to political turmoil. Its deputies represent the army, provinces and ministries. Although the fiction is maintained that it has a measure of autonomy, the congress operates under strict party supervision.

New law will provide for joint-venture taxes

BY OUR PEKING CORRESPONDENT

THE CHINESE are planning to legislate this year to levy taxes on joint ventures involving Chinese and foreign partners and to levy income tax on individuals, Wang Bingqian, the Finance Minister, announced the plan to the National People's Congress at the weekend.

A report of his remarks by the New China News Agency gave no details as to what the tax rate for joint ventures might be, or what individuals were being referred to as far as income tax collection was concerned.

The news agency also mentioned the introduction of value-added tax, but gave few details. It said the tax was "to be tried out in the machinery and farm machinery industries to solve the problems of double taxation on some industrial products."

Mr. Wang announced that from next year China would ask more state-owned enterprises to pay a business tax instead of turning their profits over to the state. This would be done on an experimental basis. What was described as a regulatory business tax and resources tax would be levied.

The new measures mean that China is engaging in a far-reaching restructuring of its tax system as it applies to State-run enterprises.

The position of individuals as a result of the tax measures remains obscure, despite Mr. Wang's announcement. It has long been suggested that foreigners resident in China will be required to pay taxes.

The Finance Minister also announced that the practice of allowing State enterprises to retain profits for reinvestment would be extended. However, enterprises using what Mr. Wang described as circulating funds provided by the State would be levied on the funds.

Mr. Wang also foreshadowed an important shift in the method of financing capital construction. China would use bank loans instead of State appropriations from next year for all except a few special projects.

The Minister said China would continue to experiment with the practice of giving provinces more responsibility for their own budgets. This is already being tried in Guangdong and Fujian, two coastal provinces.

Reforms of the financial administration begun in 1978 were continuing, Mr. Wang said, and results to date were good.

PROPOSALS to expand trade between China and New Zealand will be put to Chinese leaders by New Zealand's Prime Minister Mr. Robert Muldoon, this week. Mr. Muldoon leaves New Zealand today for visits to India and China, Dai Hayward reports from Wellington.

Trade between New Zealand and China has expanded greatly over the past year and Mr. Muldoon believes there are opportunities for further development. "New Zealand is regarded extremely favourably by China

Mr. Muldoon added that he was convinced that China wished to maintain peace in Asia, despite its incursion into Vietnam, because the Chinese leaders were determined not to do anything that would give the Soviet Union an opportunity to expand

The New Zealand Prime Minister has banned a prominent journalist and satirical writer, Mr. Tom Scott of the Listener, from his official party. He said Mr. Scott "writes a lot of garbage." But the Indian Government has declined to refuse Mr. Scott accreditation at Mr. Muldoon's request.

Basque death raises spectre of new violence

BY TOM BURNS IN MADRID

A WELL-KNOWN radical Basque nationalist was shot dead by Right-wingers on Saturday, raising fears of renewed violence in the north, where a demonstration against terrorism and a counter-rally supporting the Basque separatist organisation, ETA, are planned in the city of Pamplona on Tuesday.

Adding to the tension, a deputy speaker of the Navarre regional parliament was detained by police in Pamplona and transferred to security headquarters in Madrid yesterday for questioning under the Prevention of Terrorism Act.

Two shadowy extremist organisations, the Basque Spanish-Italian and the Triple A (the anti-Communist Apostolic Alliance) claimed responsibility for the murder of Angel Etxaniz, who was shot in a bar he owned in the coastal village of Ondarroa.

Sr. Etxaniz was a local leader of the radical nationalist coalition, Herri Batasuna (People's Unity) and had been arrested several times during the Franco regime. The Triple A also claimed responsibility for the mystery shooting of a Basque businessman in the town of Irun last Thursday.

In a telephone statement to local newspapers, a spokesman for the Triple A said the Irun shooting had been a "mistake."

Both the Triple A and a Basque Spanish battalion, which are believed to be closely linked, had remained largely inactive over the past four months, after a spate of reprisal killings and bombing in the Basque country, which claimed six victims earlier this year.

The deputy speaker of the Navarre Parliament, Sr. Jose Antonio Urbiola, who is also a senior member of the Herri Batasuna coalition, was detained in connection with a statement he made to the Parliament's human rights commission meeting in Pamplona last week, in which he claimed that Herri Batasuna shared the aims and policies of the military wing of ETA.

Under the Prevention of Terrorism Act, which covers an alleged offence of "apology for terrorism," Sr. Urbiola can be held without formal charges for up to 10 days.

A statement issued by the Herri Batasuna leadership in the Navarre province yesterday said it fully endorsed Sr. Urbiola's remarks and that the only difference between ETA and the coalition lay in the means that each employed.

The counter rally to support ETA, organised by Herri Batasuna, was officially banned yesterday by Pamplona's civil governor, but the organisers said they would defy the ruling.

The main demonstration, which had been authorised by the civil governor, is to protest against "terrorism and assassinations." Navarre, a border province with a strong ethnic Basque population, is sharply divided over the issue of integration to the autonomous Basque country.

'Stay in Zimbabwe' urges Smith

BY OUR SALISBURY CORRESPONDENT

MR. IAN SMITH, former Rhodesian Premier and leader of Zimbabwe's all-white Rhodesian Front Party, has urged his followers not to leave the country, as part of a campaign to re-establish himself as the symbol of their interests.

Mr. Smith was effectively usurped earlier this year as a figurehead of white aspirations by Gen. Peter Walls, who became a focus of white hopes when he was appointed head of the country's new joint high command.

His row with the Prime Minister, Mr. Robert Mugabe, has reduced the General's standing among the 200,000 whites, however, and political observers suggest Mr. Smith is now trying to reassert his position.

He has toured white communities throughout the country over the past week—to improve his standing before his Rhodesian Front Party

Ian Smith . . . seeking lost loyalty.

holds its annual congress next month—urging whites to stay on and co-operate fully with Mr. Mugabe's government.

"I have told them we have to make the new situation work," he told a Salisbury newspaper at the weekend. "We have to be positive and adopt a more hopeful attitude.

"My conviction is that Zimbabwe will succeed in the future in proportion to the white content of the population—the people who stay on and are committed."

His comments were the most positive he has made about Mr. Mugabe's Government since independence in April.

Mr. Smith has been influenced by a gradual recognition among some whites that their fears about Mr. Mugabe—fuelled by wartime propaganda from Mr. Smith himself and his party—now seem to have been groundless.

Symbolising its acceptance of the new political realities, the Rhodesian Front is expected to change its name at next month's congress and seek a new image

Boulogne blockade lifted

By Robert Mauthner in Paris

BOULOGNE, where the French fishing dispute broke out a month ago and the last Channel port to be blockaded by the fishermen, was re-opened to both passenger and goods traffic last Saturday.

During the previous three days, the economic situation in the port had become serious, as fish merchants' lorries and other trucks blocked all roads into the town and port area as a protest against the fishermen's action.

The fish merchants and transporters of other goods had become increasingly angry at the effect the fishermen's blockade of the port was having on their own livelihood. But the decision by the fishermen to suspend their action immediately defused the situation.

With a few isolated exceptions, such as the Breton ports of Lorient and Concarneau, life has now returned more or less to normal in French ports, in anticipation of a further meeting tomorrow of the national mediation commission set up by the Government, chiefly to settle a dispute between trawler owners and fishermen over manning levels.

Stevens held as Vanuatu revolt ends

PORT VILA — Papua New Guinea (PNG) troops on the island of Espiritu Santo yesterday crushed the last major resistance to the Government of newly independent Vanuatu.

Mr. Jimmy Stevens, leader of the three-month revolt, and 70 other rebels were arrested and Vanuatu Prime Minister Walter Lini, said Mr. Stevens could be exiled or jailed.

Reuter

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second Class postage paid at New York, N.Y., and at additional mailing centres.

W. German goods attract interest at Leipzig Fair

BY LESLIE COLITT IN BERLIN

EAST GERMANY has indicated a strong interest in expanding trade with the West at the opening of the week-long East-West trade fair in Leipzig.

Herr Erich Honecker, the East German President, yesterday visited the stand of West Germany's giant chemical company, Hoechst, which is negotiating a new chemical engineering project in East Germany after the completion of a PVC plant there by Hoechst's subsidiary, Uhde.

Herr Honecker stressed that East Germany wants to develop both political and economic relations with West Germany.

East Germany achieved an unusual trade surplus with West Germany of DM 434m (£102m) in the first half of this year.

This was largely the result of higher prices for East German refined oil products which are being delivered to West Berlin under a six-year agreement. West Germany is shipping a million tonnes a year of crude oil and consignments of coal to East Germany which is sending back twice the amount of refined products.

East Germany is able to use the Soviet oil it gets at prices some 40 per cent below the international level.

This petroleum trade is regarded by Bonn officials as abnormal for two highly industrialised countries which import virtually all their oil.

East Germany, it is felt, should concentrate on developing higher value industrial products and consumer goods for sale in West Germany, rather than dumping cheap manufactured wares.

East-West German trade this year is expected to top DM 11bn (2.6bn) after reaching just under DM 10bn last year.

No major trade deals are expected to be signed by East Germany at the fair but the country's economic officials have told West German industrialists they stand a good chance of getting major plant and equipment orders from East Germany in the early stages of the five-year Plan that begins in January.

Flags of Convenience under fire

BY WILLIAM HALL, SHIPPING CORRESPONDENT

THE DOMINANT position in world shipping of the fleets of the developed countries is expected to come under fierce attack at the Committee on Shipping of the United Nations Conference on Trade and Development (UNCTAD), which starts a two-week meeting in Geneva today.

The most controversial issues before the committee are the phasing out of flags of convenience and the introduction of bulk cargo sharing. The developed countries led by Britain and the U.S. are strongly opposed to both proposals.

The ninth session of the committee follows a meeting last January of an UNCTAD working group charged with looking at the problem of phasing out "open-registry" fleets, the technical name for flags of convenience.

At its meeting last January, the working group could not agree what action should be taken. The developing countries, which are represented by the Group of 77, wanted the phasing out of flags of convenience and the developed countries, with the possible exception of France, saw no need for such a move.

Since the January meeting, three events have occurred which could alter the outcome of the ninth session. There has been a change of government in Liberia, the major flag of convenience, which could undermine its influence among the developing countries, and a number of Communist countries led by the Soviet Union have come out strongly against flags of convenience.

Finally, the UNCTAD secretariat has done considerable work in support of a resolution passed at the UNCTAD V meeting in Manila last year, which recommended the introduction of cargo sharing.

WORLD ECONOMIC INDICATORS

UNEMPLOYMENT

		Aug. 1980	July 1980	June 1980	Aug. 1979
UK	000s	2,001.0	1,896.6	1,659.7	1,464.0
	%	8.3	7.3	6.4	5.6
		July 1980	June 1980	May 1980	July 1979
U.S.	000s	8,207.0	8,006.0	8,154.0	5,848.0
	%	7.8	7.7	7.8	5.7
Germany	000s	853.2	781.4	766.8	803.7
	%	3.3	3.0	3.0	3.1
Holland	000s	248.3	221.8	205.3	211.2
	%	4.9	4.3	4.0	4.1
France	000s	1,330.1	1,296.2	1,337.4	1,256.6
	%	5.9	5.8	6.0	5.6
Belgium	000s	397.4	335.7	336.3	367.9
	%	9.9	8.4	8.4	9.2
Italy	000s	1,705.3	1,710.8	1,707.6	1,590.9
	%	7.8	7.8	7.7	7.2
		May 1980	April 1980	Mar. 1980	May 1979
Japan	000s	1,090.0	1,180.0	1,240.0	1,110.0
	%	1.9	2.1	2.2	2.0

Source: Eurostats

Japanese vehicle exports hit new high

TOKYO — Japanese motor vehicle exports in July were a monthly record of 529,200, in spite of the growing overseas criticism on booming Japanese small car exports, the Japan Automobile Manufacturers Association said.

This was up 2.8 per cent from 514,900 in June and up a sharp 40.3 per cent from 377,200 a year ago.

The record exports were helped by continued active sales to the U.S., the largest customer for Japanese vehicles, and increased shipments to West Europe, Middle East, South East Asia and Latin America.

The July total comprised 340,900 cars, 182,300 trucks and 6,000 buses.

The July export value totalled \$2.48bn, including auto parts, up 5.5 per cent from \$2.28bn in June and up a sharp 47.7 per cent from \$1.63bn a year ago.

The association also said cumulative total exports in the first seven months this year were 3.46m worth \$13.79bn, compared with 2.50m valued at \$10.17bn in the same 1979 period.

Export shipment to the U.S. in July rose 27.2 per cent to 220,900 from 173,700 a year ago. Shipments to the EEC were 68,900, up 25.0 per cent from 55,100 a year ago, including those to West Germany up a sharp 82.9 per cent to 20,300 from 11,100 a year ago, and France up a sharp 61.7 per cent to 7,600 from 4,700 a year before. But those to Britain fell 16.1 per cent to 16,700 from 19,900 a year earlier.

Shipments to the Middle East rose 65.9 per cent to 51,000 from 30,800 a year ago, including those to Saudi Arabia up a sharp 120.4 per cent to 30,200 from 13,700

Reuter

SHIPPING REPORT

Easier tone continues in dry cargoes

By Our Shipping Correspondent

THE EASIER tone in the world's dry cargo markets continued last week. In the Hampton Roads Japan coal trades, rates for 55,000 tonners slipped below \$26 per tonne and the U.S./Continent grain rates moved lower in sympathy.

In its latest monthly chartering report Matheson and Co. is cautiously optimistic about the outlook for the dry cargo markets over the next few months and argues that grain is still expected to provide the main support for the market.

In this context owners should draw some comfort from the latest U.S. Government estimates of the Soviet grain harvest for the current year. Previous estimates had been pitched as high as 225m tonnes but the latest estimate has been reduced to 200m tonnes. Although this is bigger than last year's poor harvest, the Soviet Union will still have to import substantial quantities this year and this will undoubtedly help underpin the dry cargo markets.

Looking slightly longer term, a confidential report by a leading London shipbroker argues that the growth of the dry bulk carrier market is likely to slacken appreciably between now and late 1981-early 1982. There could be substantial dry bulk market weakness over the next one-two years with large vessels most vulnerable.

The report emphasises that the dry cargo market is in fundamentally better shape than it was three years ago and does not envisage a return to the depressed conditions of 1977-78. In concludes that, provided the volume of new building contracts can be restrained, there could be a very strong dry cargo market in 1982-83.

In the tanker market, there appears to be some difference of opinion about the short-term direction of the market. Galbraith Wrightson in its weekly tanker market report says that there has undoubtedly been an easier tone, whilst John I. Jacobs says that VLCCs and ULCCs continue to be fixed out of the Arabian Gulf at steadily improving levels.

Australia signs big Fiji loan

By Patricia Newby in Canberra

THE AUSTRALIAN Government Export Finance and Insurance Corporation (EFIC) is to provide a loan of A\$35m (£18m) to the Government of Fiji to finance construction of the Nadi-Lautoka regional water supply scheme by a consortium of three Australian contractors.

The loan agreement was signed in Canberra by Mr. Jesoni Takala, High Commissioner for Fiji and Mr. Sam Burton, EFIC's managing director.

Total value of the contract won by Wood Hall (Hornbrook), Leighton Holdings and Thiess Holdings, was A\$53m. It is one of the largest single contracts ever let in the Pacific Basin.

The difference between the EFIC loan and the contract price will be covered by trading bank loans.

The project involves construction of an earth-rock fill dam across the Nadi river at Vatura, water treatment plants, service reservoirs, access roads and 40 kilometres of pipeline.

Swiss delay Canada uranium accord

BY BRIJ KHINDARIA IN GENEVA AND JIM RUSK IN OTTAWA

A SWISS Parliamentary commission has decided to postpone study of a draft agreement between Switzerland and Canada under which Canada would have resumed uranium supplies to Swiss nuclear plants.

The decision to postpone the study was prompted by what the Swiss argue is Canadian interference in their internal affairs. This is in particular reference to Canadian disapproval of the Swiss Government's decision to allow Sulzer, the heavy machinery and construction company, to build a heavy water plant in Argentina.

The postponement has worsened prospects for early ratification by the Berne Parliament of the draft agreement. Berne had recommended that Parliament accept the accord.

The bilateral dispute centres on Canada's insistence that it should have the right to monitor both how its uranium and nuclear technology is used in the event they are re-exported from client nations, such as Switzerland, to third countries, which might misuse the goods to make nuclear weapons.

The Swiss said the were prepared to accede to these requirements but baulked at what they said was a further Canadian monitoring requirement over how Switzerland exports its own nuclear technology.

They further pointed out that they had examined the Sulzer deal and were satisfied it would not increase Argentina's capacity to make nuclear weapons and was not in contravention of Switzerland's obligations as a supplier of nuclear technology.

Canadian officials have reacted to the Swiss move with surprise. A senior Government official said at the weekend that Canada's concern was only in how its own uranium and technology was used. It was not its intention to interfere in how the Swiss use their own technology.

"We have never heard anything official to suggest the Swiss were planning to take this course of action," the official said.

The Canadians add that the Sulzer-Argentina matter is not at issue and that tensions between Ottawa and Berne over nuclear matters date back to the 1977 suspension of Canadian uranium sales. It was the Canadian understanding that lack of Swiss approval to the bilateral uranium agreement came only from Canada's need to monitor the re-export of its own uranium and technology.

The means of resolving the dispute were not immediately clear, but the tougher attitude by the Parliamentary Commission comes following estimates by Swiss energy authorities that Switzerland can do without Canadian uranium for at least five more years.

Colourful debut for Lesotho's rugs

BY PAUL CHEESERIGHT IN BERLIN

WOOLLEN RUGS with gentle geometric designs scattered the floor, mohair tapestries hung on the walls, stands held woollen cardigans, shawls, jackets and hats.

It was the Lesotho stand at the Overseas Import Fair in Berlin last week, part of the sales effort the south African kingdom is making in the European consumer market. Compared with the range of goods offered by the newly industrialising countries like South Korea, it was very limited.

But Lesotho is classified by the World Bank as a low income developing country. Indeed the value added from manufacturing in the country during 1976 was just \$2m. Still, the European market beckons as an outlet for labour-intensive industries sponsored by the Government in a country where 87 per cent of the population is engaged in agriculture.

Exhibitions and fairs account for about a third of the marketing effort made by Kingdom of Lesotho Handicrafts (KLH), a joint venture owned by the Lesotho National Development Corporation and the Fund for the Research and Investment for the Development of Africa (FRIDA).

"Lesotho is not known. We are just trying to get exposure —to get people to know us," explained Mr. Chris Mobapi, the KLH general manager, in charge of promoting Lesothan crafts.

That is the first and most obvious hurdle KLH has to jump, to achieve an identification in the eyes of the European consumer such as that, at the opposite end of the spectrum, achieved by Persia and the carpet.

KLH is reluctant to assign exclusive agencies in importing countries, except in France, so far its most successful opening in Western Europe. Partly this is a question of keeping control of the marketing effort.

But, conceded Mr. Mobapi, "for a long time we've been mainly hitting in the dark, trying to find the best niche in the market. It takes a long time to find the right direction. If you don't retain some control, you never do find out. We need the feedback."

Gradually this direction is becoming clear. In the first place KLH is concentrating most of its European effort on the EEC, simply because the provisions of the Lome convention mean there are no tariff barriers to climb. This is a vital factor in the ultimate selling price.

Secondly, KLH is aiming at the top of the market. This is partly a question of costs—South American competitors have fob costs half those of Lesotho, Mr. Mohapi said. But the hand-crafted nature of the Lesotho product means putting a premium on design and craftsmanship.

This leads to the third point about the direction of Lesotho marketing. It is directed at department stores, specialised galleries and interior decorating concerns.

So far success has been limited. In KLH's first year of operation, in 1978, sales were just R150,000 (£80,200). This year they are running at double that level and would have been higher but for the recession.

With workshops springing up all over Lesotho, production is increasing, so the need to lift sales is paramount. But if KLH received a large order it would still have a problem—that of co-ordinating the quality and quantity from such a diversity of producers.

Lesotho, like other African handicrafts producers, has to overcome the accepted European notion that African suppliers are unreliable. This general difficulty and Lesotho's specific effort are the practical edge of the current North-South dialogue.

Building society receipts drop back in August

BY MICHAEL CASSELL

BUILDING SOCIETY receipts fell last month while demand for mortgages continued to weaken.

Provisional estimates suggest that the net inflow of funds into the societies may have fallen below £300m in August compared with £340m the previous month. The drop was brought about largely by seasonal factors and if the estimates are confirmed the month's intake will still be the second highest recorded this year.

The fall in intake will not create concern among the societies, which are experiencing mounting difficulties in lending the funds they have available.

The supply of mortgage finance has been broadly matching the level of home loan demand recently, but there is a growing belief among societies that they are now confronted with a rare phenomenon — a shortage of mortgage customers.

Societies have rarely had to go in search of borrowers and have traditionally geared their operations to attracting deposits. But the recent slight improvement in their competitive position and the availability for lending of large volumes of interest credited to investors' accounts have coincided with a sharp decline in mortgage demand.

There is also no doubt that the increasing involvement of the banks in the mortgage market has taken some of the pressure off the societies.

Advances are still, however, running at high levels, reflecting earlier commitments as well as some marginal revival in previously cancelled mortgage approvals. The societies hope to lend about £9bn this year against £8.8bn in 1979, although the actual number of loans may be down by nearly 100,000 to about 620,000.

Queues for home loans have been virtually eliminated by a growing number of societies, which have substantially pushed up the ceiling of individual advances they are prepared to make. Some society executives are predicting that, if present trends continue, non-investors will soon be able to walk into branches and pick up mortgages on demand.

The outlook poses a potentially awkward problem for the societies. The inflow seems likely to remain at about the £300m-a-month level, and if mortgage demand continues to weaken, some form of action might have to be taken.

For a while at least the societies can happily push any excess funds into liquidity and invest them profitably, or they can try to step up the level of mortgage advances by widening their lending horizons.

It remains unlikely that the societies will contemplate bringing their own interest rates down before other interest rates in the economy fall. But if rates generally do not fall further in the next few months and the societies continue to attract funds which they cannot push back into the housing market, then political pressure for a reduction in the building society interest rate structure can be expected.

Datsun attacks import controls

BY GARETH GRIFFITHS

DATSUN UK, the most successful Japanese car importer, has launched a strong attack on the restrictions on imports agreed between the Society of Motor Manufacturers and Traders (SMMT) and its Japanese counterpart, the Japanese Automobile Manufacturers Association (JAMA).

The restricting of Japanese car imports to 11 per cent of total UK sales has merely helped European vehicle importers instead of assisting home manufacturers, Datsun said today.

BL is singled out for attack. Datsun says BL's lack of sales is not due to Japanese registrations, but "must be due to the type of model they are trying to sell, the price, the quality and their marketing ability."

The company, which imports cars from Nissan, Japan's second largest motor manufacturing group, accuses the British motor industry of "bullying tactics" and "moral blackmail" over its attempts to cut back on the number of Japanese cars.

The statement accuses the voluntary restrictions of creating an inbuilt limitation in the availability of Japanese cars and depriving consumers of freedom of choice in the car buying market.

Datsun's share of the UK market in August is expected to be about 11 per cent, equal to the entire quota for Japanese companies. However, Datsun says it share will fall in the autumn due to lack of stock.

This is the second such attack on the SMMT-JAMA agreement by Datsun this year. It put forward similar arguments in a series of newspaper advertisements in January and aroused criticism from British manufacturers. A fresh round of talks on the agreement is due to be held in Tokyo next week.

Japanese cars outsold BL models in July, and Datsun's recently re-vamped Sunny reached fourth place in the top 10 list of best sellers.

The SMMT has expressed concern at the increasing level of Japanese shipments at a time when car sales are declining.

The Department of Trade has already indicated it expects the SMMT and JAMA to make a new voluntary pact during the Tokyo talks next week. The restrictions were agreed five years ago when JAMA said its members would market "prudently" in Britain.

Sealink fails to boost Channel traffic

BY WILLIAM HALL, SHIPPING CORRESPONDENT

SEALINK, British Rail's ferry operation, has suffered a major setback in its efforts to boost traffic on its Channel services. As a result it could make a loss this year, and this could "prejudice any Government plans to introduce private capital into the organisation."

Despite having cut many prices at the start of the season Sealink has failed to win any substantial increase in traffic. Its net revenues are therefore falling at a time when its costs and interest charges are rising sharply.

According to confidential statistics for July, the number of cars carried by Sealink on the short sea routes between Britain and France was unchanged from a year before and had risen by only 3 per cent for the year as a whole. This is despite price cuts of over a fifth in some cases.

By contrast Sealink's main competitor, Townsend Thoresen, increased the number of cars on its Dover-Calais route, the most important Channel crossing, by over 60 per cent in July. In the first seven months of this year, Townsend's car-carryings were up by nearly two-thirds on January-July, 1979, at 287,000 against Sealink's 184,000.

With passengers, an area where Sealink is traditionally strong, Townsend Thoresen increased its carryings in July by 35 per cent to over 400,000, compared with a 10 per cent increase at Sealink.

Last September Sealink announced that it was breaking away from the pooling arrangement whereby operators agreed common fares on the Channel. At the same time Mr. Derek Roberts, Sealink's UK chief traffic manager, said it was Sealink's intention to "become the John Lewis of the Channel and never be knowingly undersold."

Shortly after Sealink announced its 1980 tariffs, which involved an average 15 per cent increase in fares, Townsend Thoresen unveiled tariffs which were substantially cheaper in some cases.

Sealink then decided to cut many fares and started a series of monthly bargain offers which resulted in confusion at travel agents, which handle a large number of ferry bookings.

NEDO urges industry to adapt

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE DEPRESSING reality of British industrial performance over a long period is portrayed in a report today from the National Economic Development Office.

The report pinpoints, for example, the fact that UK manufacturing industry not only invests less than industry in France and West Germany, but it also obtains a lower return in terms of extra output from the investment actually undertaken. This suggests that major improvements in output and productivity could be achieved in advance of new investment.

The series of graphs and accompanying texts in the report underline the openness of the UK economy to international competition; the importance of design and quality as well as price; the importance of transforming poor performance in the use of productive resources; the need to increase investment in the right directions; and the need to improve profitability.

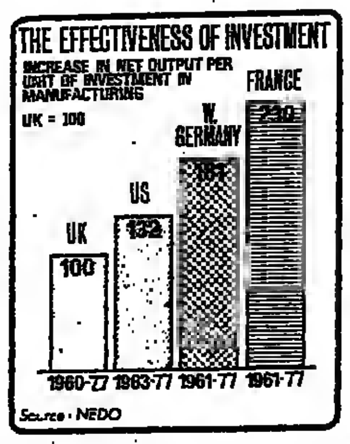
The overriding necessity is for change and adaptation, it says, so that the country's resources move from areas of weakness to areas of potential strength.

The survey concludes that "current developments suggest that the structural weakening and consequent relative impoverishment of this country are both still continuing. . . . However, the aim of this booklet is not to depress. Rather it is to suggest that if we can learn from past experience, we, too, can begin to enjoy the same success as other countries in Western Europe."

Mr. Geoffrey Chandler, director-general of NEDO, makes it clear from his introduction to the booklet that he intends the figures to be a starting point for change, not simply confirmation of the present. Mr. Chandler has previously shed the traditionally uncommitted role of NEDO to call for a more interventionist role in industry by this Government.

He says of this report: "Its purpose is to show that positive lessons can be drawn from our experience and to emphasise that a re-examination of our policies, our attitudes and our assumptions about the future is essential for all of us if we are to recognise our individual and collective responsibility for the future economic health of the country."

British Industrial Performance. NEDO Books, £1.



Volvo cuts price of spare parts for trucks

By Kenneth Gooding, Motor Industry Correspondent

VOLVO OF SWEDEN is cutting the UK price of more than 200 truck spare parts by up to 55 per cent as part of a plan to improve the competitive position of its dealers.

In addition, to encourage owners of the 25,000 Volvo trucks on British roads to use only the 43 official dealers and service points, the group has given a warning that some parts purchased elsewhere—even in Volvo packaging—have turned out to be sub-standard.

It claims the overall cuts range around 18 to 26 per cent. The weighted average—which Volvo says is the true value of the reduction to the truck operator—is about 26 per cent. The reductions put Volvo's own spares in a highly competitive position compared with similar ones offered by outside manufacturers.

Volvo pointed out that its truck output rose from 21,000 a year to 31,000 in the six years to 1979 giving substantial economies of scale. It has recently streamlined its parts handling system after setting up a £17.5m central warehouse at Tuve in Sweden.

"Operators have discovered to their cost that using imitation parts can be costly because of the invalidation of the vehicle warranty and the fact that non-genuine parts have no cover for consequential damage," said Volvo at the weekend.

Volvo considered following the example of other groups and manufacturing parts for a wide variety of truck makes so as to win a bigger share of the market for replacement parts.

But it decided instead to fight back against those rivals which, it says, "never cover anything like the full range of parts; they produce only those most in demand so as to cream off the profit from the top."

Oil prices falling, say brokers

BY SUE CAMERON

SPOT PRICES for North Sea oil have dropped by $5 a barrel in the last few weeks and producing companies are now under growing pressure to lower their contract prices, according to a report by stockbrokers Wood Mackenzie.

The report, published yesterday, says prices of North Sea spot cargoes have fallen from $36-$37 a barrel to $31-$32 a barrel. But contract prices are still in the $35-$37 a barrel price range.

"The question which faces the oil industry at the moment is whether or not term (contract) prices for North Sea oil will be maintained," the report says.

"The pressures from the products market as well as from spot dealings suggest that some relaxation for the latter part of the year would be welcomed by refiners."

The "collapse" of the spot price is a reflection of falling demand, the report says. Despite "substantially" lower output from the Organisation of Petroleum Exporting Countries, crude oil supply is now running ahead of demand. This has led not only to a drop in spot crude prices but also to a fall in the price of oil products such as petrol.

But Wood Mackenzie believes North Sea crude producers will "probably" be able to resist price cuts at least until the end of this year. It adds, however, that this will mean "an element of over-pricing" for North Sea crudes against Arabian Light.

The report says that over the last year or so, North Sea oil production has remained "virtually static at around 1.6m barrels a day." Exports have averaged 800,000 barrels a day. Chief customers for North Sea oil exports have been West Germany, Scandinavia, the Low Countries and the U.S.

Colour code for caravans proposed

BY GARETH GRIFFITHS

THE GOVERNMENT has told local authorities to take into account a new British Standards Institution range of approved colours for caravans when considering planning permission for caravan parks or sites.

The aim is to harmonise the caravan colours with those of their surrounding areas. The Department of the Environment feels that too many permanently sited caravans suffer from garish colour schemes. They might reflect the tastes of individual owners but often clash with nature.

The Department, with the Scottish and Welsh Offices, recommends a remedy in the most "suitable colours within the landscape that are also acceptable for caravan construction." It plans to do this with selected colours from the BSI range, BS 5252 — in other words, green, slate or sandy shades.

The Government says in a letter sent to local authority associations that planning authorities in considering requests should take account of the range of colour finishes for static caravans. Mobile touring caravans are not covered by the letter.

Static caravans are the most buoyant sector in the caravan industry at the moment. Tourer caravan manufacturers have been reporting sales declining by 10 per cent, but static caravans have traditionally sold well at times of recession. There are an estimated 255,000 static caravans used as holiday homes and 97,000 as mobile homes.

The recommendations apply only to caravans being freshly

'Sell debt to personal sector'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENT should increase its efforts to sell public-sector debt directly to the personal sector now, via new national savings schemes, James Gapel, stockbrokers, say in a new circular.

This call is based on an analysis of the money supply showing that more than 90 per cent of the growth in the past 1¾ years has come from personal sector sterling bank deposits. These have risen by about £1bn a quarter.

James Gapel say that if the Government tapped this market the need to sell gilt-edged stock to the financial institutions would be reduced and funds would be released for investment in long-term corporate debt.

"To attempt now to 'oversell public-sector debt to the institutions would probably prove to be fruitless, given the small growth record of their bank deposits relative to their increasing cash flow."

Accordingly, the brokers believe there is an overwhelming case for new debt instruments to attract funds directly from the personal sector, and that urgent consideration of such ideas should take precedence over discussion of new ways of issuing gilt-edged securities or other innovations aimed at financial institutions.

This call follows a report a fortnight ago that the Government is considering possible improvements to national savings schemes with the aim of attracting more money from the personal saver.

The latest batch of brokers' circulars is generally fairly gloomy about the immediate outlook though there is greater optimism about the prospects for the late autumn. For example, Scrimgeour, Kemp-Gee and Co., brokers, expect a growth in sterling M3, the broadly defined money supply, of 4 per cent to be shown by the August figures due out next week.

Montagu Loebl Stanley and Company, brokers, conclude that scope for a genuine fall in interest rates is limited at present.

Buckmaster and Moore, stockbrokers, are more optimistic. They conclude that a decline in the growth of sterling M3 may be in sight following deceleration in expansion of M1, the narrowly defined money supply.

FARNBOROUGH AIR SHOW

Sales boost for Westland Helicopters

By Michael Donne, Aerospace Correspondent

BRITISH AIRWAYS Helicopters, which undertakes extensive helicopter operations for the North Sea oil and gas industries, is discussing with Westland Helicopters of Yeovil the possibility of buying up to 25 of the new WG-30 18-passenger helicopters, worth about £30.

Westland are at present developing this model from the military Lynx helicopter, already in service with several armed forces overseas, including UK forces.

Westland have also announced a new order, worth about £36m, for 24 Lynx aircraft for the Ministry of Defence. This brings total Lynx orders to date to over 300 craft.

The new WG-30 civil version of the Lnyx has been developed to win a share of the market for civil helicopters, which is expected to expand substantially during the 1980s.

British Airways Helicopters is one of several operators with whom Westland is now at an advanced stage of technical and commercial discussions, and at the Farnborough International Air Show in Hampshire yesterday Westland said it hopes to announce further orders for the WG-30 in the not-too-distant future.

Rolls-Royce in Dart sales drive

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE is planning to develop its highly successful Dart turbo-propellor engine further, in a bid to win new markets in an era of increasingly high and rising fuel costs.

The Dart engine is one of the most successful aero-engines ever built. It has been in service for more than 30 years and nearly 7,000 engines have been sold. It is still in production for such aircraft as the British Aerospace 748 and the Dutch Fokker F-27 twin-engined feeder liners.

But in today's era of soaring airline fuel bills there is increasing interest in the turbo-prop as a cheaper power plant than the pure jet engine. Rolls-Royce is anxious to win as big a share of this market as it can.

The company is therefore planning what it calls an engine "demonstrator" programme. This aims to produce a new version of the Dart with fuel consumption about 5 per cent better than Darts in service.

It can see the possibility of further improvements to give total fuel savings of about 8 per cent over engines in service.

Test running of a modified Dart engine will start later this year. If expected savings in fuel consumption are confirmed, Rolls-Royce will offer the improved engine to airlines world-wide, not only to BAe 748 and Fokker F-27 operators but also to manufacturers in the U.S. and Western Europe who are planning new turbo-prop airliners for short-haul operations later in this decade.

Defence moratorium hits British Aerospace

BY LYNTON McLAIN

THE GOVERNMENT'S moratorium on defence spending has hit production work at British Aerospace's military aircraft factories.

"We are a little disappointed that the moratorium has come at this time," Sir Austin Pearce, chairman of British Aerospace, said yesterday at Farnborough.

He was not specific about the impact, but it is understood that the Ministry of Defence has already deferred ordering 18 Hawk jet trainer aircraft for the Royal Air Force and up to 10 Sea Harrier vertical take-off aircraft for the Royal Navy.

The impact of the moratorium is certain to be felt also in factories outside British Aerospace which supply components for aircraft manufacture.

Apart from the military sector, British Aerospace civil factories are now almost full to capacity, especially on work for the A300 Airbus and the new A310 version now being built.

● British Aerospace said it hoped for a Government decision in the next "month or so" formally to award it an 18-month to two-year feasibility study on the RAF's "large aircraft replacement programme."

£100m growth in orders at Lucas

By Lorne Barling

LUCAS AEROSPACE has increased the value of its orders in hand by £100m since earlier this year, raising the total to more than £350m, the company announced yesterday.

"Success in obtaining a significant share of the world's new commercial and military aircraft programmes has given a vital boost to the company," it said. The company also noted that it was now recruiting skilled workers at a number of plants.

Lucas is also undertaking an expansion programme with new factories under construction in Bradford and Liverpool, while another is being acquired in Burnley. It recently opened an £8m electronics plant in Birmingham.

Much of the new business won by Lucas Aerospace, now the largest producer of aircraft components outside the U.S., is from American companies.

Its success in international markets was based on an intensive internal reorganisation and a concerted international sales drive, the company said. Development of its design and manufacturing capabilities was also important.

Mr. James Blyth, general manager of the company, said: "I believe we have good reason to be satisfied with our achievements in putting our reorganisation strategy into effect. There is now enormous potential for future expansion and investment provided we meet our production targets."

Europe bid by Hughes brings UK alloys link

Financial Times Reporter

A RENEWED attack on the developing European helicopter market is to be made by Hughes Helicopters, currently vying with Bell Aircraft as the top U.S. producer.

The first public demonstration of its intentions will be at this week's Farnborough Air Show when a Hughes 500-D machine will air-lift a BL Mini car painted with the Union Jack.

This will emphasise Hughes' new link with Auto Alloys (Helicopters), an offshoot of a small Derbyshire specialist supplier of heat resistant castings and other components to the aerospace and automotive industries.

Froude joins consortium

BY LYNTON McLAIN

FFV, the Swedish State-owned defence industries group, yesterday announced a tri-national agreement with Froude Engineering, of Worcester, and the Environmental Elements Corporation of the U.S. to design and build advance aero-engine test equipment.

Demand for engine-test equipment was expected to increase steadily in the 1980s, Mr. John Norton, group manager of the consortium at Froude Engineering, said yesterday.

New technology engines and rising demand for quieter, less polluting engines, would stimulate demand, he said.

FFV, Froude Engineering, and Environmental Elements each have wide experience of the aero-engine test-equipment market. The partnership brings together the advanced instrument and computer experience of FFV, Froude Engineering's 50 years of aero-engine test design and production, and Environmental Elements' 25 years of design experience in noise-control equipment.

Froude Engieering, part of Redman Heenan International, has supplied all the RB-211 jet-engine test equipment for British Airways' Treforest aero-engine overhaul works in South Wales, and for parts of Heathrow engine-test centre.

Collapse of some companies likely followed by rationalisation

Food manufacturers' profits slump

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE LATEST profitability figures from Britain's food manufacturers clearly show the precarious tightrope on which many companies are balanced. Profit margins, the figures from the Food and Drink Industries Council show, have slumped to the lowest level for five years and are now only just over a third of the level of profitability reached 10 years ago.

After a decade in which the food industry found itself squeezed between sharply rising raw material prices and operating costs on the one hand, and Government price controls and a High Street price war on the other, there had been hopes that the worst was now over and that the industry could look forward with confidence to the new decade.

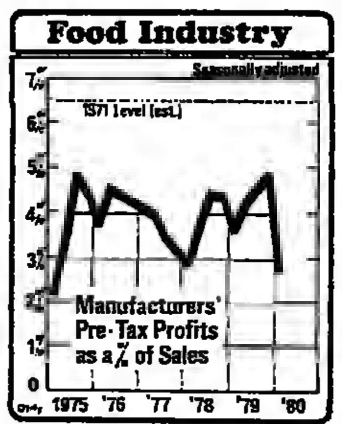
However, the current economic recession has exacerbated the underlying pressures on the food industry to make hopes of a consistent profits growth appear slim. The next few years could see the collapse of some major food companies, followed by rationalisation of jobs and factories, higher food imports and, inevitably, higher prices for the consumer.

Mr. James Cleminson, president of the Food Manufacturers' Federation, has already warned that food prices will have to rise by about 20 per cent this year just to enable food companies to maintain their present depressed profit levels.

Such price rises are likely to depress even further volume sales of food, which have been static for much of the past decade. In addition, renewed focus on prices could lead to consumers "trading down" to more basic foodstuffs instead of buying higher margin foods such as frozen and other convenience foods.

The lack of growth in consumer demand is shown by Government figures for the amount spent on food. While the value of food sales has risen from £6bn in 1970 to over £20bn last year, the volume of sales in real terms, after allowing for inflation, has remained constant.

The Institute of Grocery Distribution points out that



"this phenomenon follows from the fact that, as consumers' incomes rise, in real terms they tend to spend such increases on items other than food."

The Institute adds that "the proportion of spending on food, therefore, can be seen to decline as incomes rise." This is a consistent trend, it says, as shown by the fact that in 1948 food spending represented some 30 per cent of total household spending, while by 1973 it was down to 19 per cent. "Declining real incomes following 1974 led, as would be expected, to a slight rise in this proportion. But with incomes again rising from 1977 the downward trend has continued."

Another factor in the static volume sales of food is the general stability in the size of the UK population. Consumers are thus physically unable to consume more food after a certain level. This effect has already been felt in other Western economies, particularly in the U.S. where the slow-down in the overall size of the food market started much earlier than in Britain.

The slow-down in the growth of the UK market was accelerated during the 1970s by the rapid rise in food prices which outstripped the general rise in retail prices. The price rises were mainly due to British adjustment to higher food prices under the EEC's Common Agricultural Policy, as well as the steep oil and commodity price rises.

Basic raw materials, such as biscuit flour, refined vegetable oils, refined sugar, and dried fruit are all now more than three times as expensive as they were five or six years ago.

Although such cost pressures were starting to abate towards the end of the 1970s, they began to creep up again last year. Raw materials bought by food manufacturers rose in cost by 12.2 per cent in the past year, compared with 7.3 per cent in the previous year. At the same time, labour costs have soared with earnings up by over 21 per cent in the past year, compared with 12 per cent the previous year.

The problem of food manufacturers has been that, with volume demand static, they have been unable to pass on the full cost increases to the consumer in the form of higher prices for fear of depressing food sales even further. Food manufacturers depend on the high volume of sales being maintained, since the profit margins on individual products have always been low. But having to absorb extra costs as well, has gradually brought margins down over the past decade.

The manufacturers' problems, while serious, would not have been nearly so acute were it not for the development of a number of aggressive chains at the retail end of the food industry. Retailers such as Tesco, J. Sainsbury, and Asda were forced by the same static demand for food to embark on price-cutting to boost their turnover at the expense of small grocers unable to match the multiples' higher turnover and lower prices.

At the same time, the major multiples have used the fact of their higher turnovers to demand extra discounts from the manufacturers. Manufacturers, anxious to keep their own sales high, have usually agreed to such discounts—which has even further depressed their profit margins.

The classic example of the result of giving large discounts to retailers was shown by the collapse of Spillers' baking interests two years ago.

Manufacturers of processed foods are also becoming concerned at the growth in demand by consumers for fresh foods, resulting from widespread publicity for improved eating habits. Retailers, on the other hand, are encouraging this trend since fresh foods carry higher profit margins for them.

There are some reasons, however, for food manufacturers to be not quite so gloomy. Price controls have been abolished, for example, and the Monopolies and Mergers Commission, in a report soon to be published could call for legislation to curb retailers' demands for large discounts.

While the overall food market remains static, there are some sectors within it that are growing rapidly offering manufacturers the chance of more profitable business. Most convenience foods, such as snacks and frozen foods, are more profitable for manufacturers—although these could be hit if consumers trade-down as the recession bites.

Another reason for optimism is that, while some manufacturing sectors—such as for clothes and consumer durables—have been hit hard by the recession, food sales have not fallen to the same extent.

In the longer term, however, the effects of the consistent erosion of food manufacturers' profitability will be to accelerate the trend towards fewer manufacturers, each with a larger share of the market. This could lead to reduced consumer choice as manufacturers of subsidiary brands go out of business.

Thus, by the end of the 1980s, the food industry could be dominated by a handful of major retailers and manufacturers, with an inevitable reduction in the element of competition.

In the short-term, however, the prophecy made two years ago by Sir Hector Laing, chairman of United Biscuits and a senior member of the food industry, looks even more appropriate today. He said food manufacturers were "on a slippery slope which threatens to become a dangerous slide."


FOREIGN EXCHANGE
NCR
CASHIER
NCR 24 HOU
ER BANK

Week of confrontation faces Westward Television

Arthur Sandles reviews the saga of Westward Television and concludes that, whoever wins the confrontation for the control of the company, the loser may well be Westward itself.

IF THE WARRING factions on the Board of Westward Television needed further confirmation of the dangers which surround their arguments, it has come this morning from the voice of Mr. Simon Day.

Students of this tortuous West Country saga will recognise Mr. Day's name from earlier episodes. He is a Devon landowner whose estates border those of Mr. Peter Cadbury, the deposed chairman and still the largest single voting shareholder in Westward TV. Above all, Mr. Day is leader of one of two consortia trying to wrest the independent television franchise for the West Country from Westward.

Now Mr. Day's group, West Country Television, has said that the restless employees of Westward, increasingly alarmed about the future of their company, need have no worry — all non-policymaking staff have their jobs guaranteed if WCTV wins the franchise.

The Day promise must make chilling reading for Mr. Cadbury and the man who displaced him as chairman, Lord Harris of Greenwich, the former Labour Minister. It is a clear indication that, while Mr. Cadbury and his two supporters on the Board have been fighting the remaining 11 directors, the rival consortia may have been quiet—but certainly not idle. Both smell a hugely greater chance of success now than three months ago.

There is a real prospect that, whoever wins the Westward wrangle, the loser will be Westward itself. This prospect added considerable edge to the meeting of the Board and backers of another rival, Television South West, at Dartington yesterday.

Westward's arguments have been moving inexorably towards the courts for several weeks and the parties will appear before a judge on Thursday seeking confirmation of their rival actions. The whole affair broke into the public arena when the board of Westward voted 11 to 3 to remove Mr. Cadbury from the chair after allegations of confusion between his turbulent public image and that of the company.

Mr. Cadbury has 17.5 per cent of the 200,000 Westward voting shares, and his family and friends own considerably more. Between them he could probably get himself returned to office, and it is the probability which Lord Harris and colleagues have been fighting strenuously to prevent.

Crucial dates

The present board has called a decisive shareholders' meeting for October 17, and meanwhile it is trying hard to find ways of stopping Mr. Cadbury from using his crucial votes. Mr. Cadbury, in turn, has summoned a meeting for September 10. The judge is being asked to assess the validity of these rival meetings. He will possibly refuse at this stage to do any such thing.

Between the projected Cadbury and Harris meetings lie two important dates. On September 23, the board of Westward has to put its case for retention of the franchise to a public meeting in Plymouth, sponsored by the Independent Broadcasting Authority. The two rival bidders must also do the same thing. In early October, Mr. Cadbury appears in court on a charge of wasting police time.

The two rivals will face the IBA public meeting with united boards and united shareholders. But whoever wins the Westward row on that September date, the Westward team will have behind it both troops and officers deeply involved in internal struggles.

Fairly early in the row, a large number of staff at Westward's London office—a fairly big operation occupying much of the building above Sloane Square underground station—voted their support of Mr. Cadbury. More recently, the staff at Westward's Plymouth offices, the main production centre, voted for an early end to the dispute, whichever way it is to go, so that the franchise could be retained.

The significant is that in this argument both staff and shareholders — two of the most interested groups — have been effectively debarred from the debate. Westward has no worker directors in the blue-collar sense. And besides those 200,000 voting shares, there are also more than 9m non-voting ones.

Non-voting shares are the norm in commercial television although they have become notoriously unfashionable elsewhere. The reason is that the IBA prefers things that way.

It has paid lip-service to democracy in programme policy and much else (indeed, its enthusiasm for public meetings draws groans from television company executives who are obliged to show up at them), but it is less enthusiastic about shareholder democracy. Its great fear is that a television company may become subject to an undesirable dawn raid. Therefore, it prefers a limited number of voting shares, and keeps a strict eye on the ownership of those shares requiring to approve any dealings in them.

Mr. Simon Day's own application reveals his consortium's desire to conform to this IBA lore. WCVT will have 5m non-voting, and 790,000 voting shares. These voting shares, nonetheless, will be distributed in such a way as to make it difficult for any one person to have more than 2.5 per cent of the total voting stock.

Voting-shares

Rival TVSW seems to be ignoring traditional IBA wisdom and proposing that all shareholders should have votes. The plan may carry more weight now than a few months ago, when Westward was seen as one of the safer franchise areas.

Westward has earned a good reputation as a producer of programmes, and there seemed much less reason to disturb its domain than might be the case elsewhere. But the scene is somewhat different now. Westward has cause for concern over the calibre of its challengers who are by no means lightweight.

TVSW's backing, for example, is formidable. It counts Gresham Trust, Britannia Arrow, ICFC, London Life, British and Commonwealth, and the Imperial Group pension fund among its supporters. The Dartington Trust adds a considerable edge of local prestige.

WCTV has been coy about publishing the names of its backers, but claims that "pledges have been received for a very substantial sum from a wide section of local individuals and businesses and no difficulty is anticipated in achieving the aim to raise more than 50 per cent from sources in the West Country." Mr. Day himself is chairman of Devon County Council finance committee and an active local politician (a former Tory candidate) and businessman. On his team is Mr. Bill Ward, former managing director of ATV network.

Both groups have submitted proposals to IBA prepared long before the Westward row and pointing to areas in which the incumbent is said to be weak. Mr. Day's team had a Marplan survey done of the area, suggesting that the fiercely proud West Country residents wanted far more local programme content than Westward has been giving them. It produced, incidentally, an intriguing problem for the IBA in asserting that the West Country wants less national, religious, and political programming and more local gossip and drama.

Westward's shareholders might be worried by the claim of both bidders who say that they would indulge in green field building of studios. This raises a huge question mark over the value of Westward's assets, notably the main central Plymouth studios. The market seems to have taken the view that the asset value is enough to sustain the share price. That is not an opinion shared by all viewers of the Westward saga.

†Profits of £110m expected at Lloyd's

By John Moore

THE TOTAL profits of Lloyd's of London underwriters may reach £110m for the 1977 underwriting year, even allowing for computer leasing losses following the largest series of claims in history.

According to some City analysts the results, which are due to be published on Thursday, could be £13m down on the £123m profits declared for the 1976 underwriting year.

Lloyd's uses a three-year accounting method and the 1977 figures will be the most recent available. Accounts are kept open for three years and claims paid during the period of account are taken back to the original year in which the insurances were placed.

The 1977 underwriting year was the main period in which computer leasing insurances were accepted by underwriters. The policies protected leasing companies against the early termination of leases by the customers.

When cheaper IBM models became available in 1978 most customers gave notice of cancellation. More than 14,000 claims poured into Lloyd's, estimated officially to total £175m well in excess of Lloyd's 1978 underwriting year profits of £123m.

The 1977 underwriting year is likely to be better than expected, notwithstanding computer leasing losses, for three reasons.

● Underwriters have benefited from investment income on cash balances.

● Claims are being paid on computer leasing policies very slowly so there has been no dramatic loss of funds. By allowing some computer leasing groups to use legal action to pursue their claims against underwriters, Lloyd's has gained time to invest its funds to offset any losses arising from a later settlement.

● Other classes of insurance business at Lloyd's experienced a good underwriting year.

Waste heating for electricity board building

THE South of Scotland Electricity Board is to replace the electric central heating at its headquarters in Cathcart, Glasgow, with waste heat piped from its computer building nearby.

The computer building is 100 yards from the headquarters. It uses large amounts of electricity for air conditioning to keep the computer working efficiently, the Board said yesterday.

Sharp drop expected in TUC membership

BY JOHN LLOYD

MEMBERSHIP of unions affiliated to the TUC is expected to drop this year—the first real decline since the 1920s.

Mr. Len Murray, the TUC's general secretary, said in his pre-congress review that the decline would be due to unemployment.

"I don't expect to see a massive reduction—unemployed workers don't necessarily leave their unions."

TUC membership rose last year, from 12,128,078 in 1978 to 12,172,508, organised in 109 affiliated unions.

Mr. Murray said the increase of nearly 45,000 was "a remarkable development — considering the level of unemployment in 1979."

The largest decline in membership was in the sector which includes workers in glass, chemicals, food and distribution, followed by the textile, iron and steel and clothing trades.

The largest rises in union membership in 1979 were in the building and woodworking, public employees, and technical and scientific groups.

Questioned about polls claiming to show a lack of confidence in trade union leadership and policies, Mr. Murray said that the TUC had been out of step with the membership — it had been in front of it, and the membership was now catching up.

He said he had no regrets about the Day of Action on May 14. What we did on May 14 I snow being seen as right. That's what leadership means—sticking your neck out.

Mr. Murray said the General Council of the TUC would continue to be free to discuss a wide range of matters with the Government, including income.

He said that income should be defined to include profits and rents, as well as wages.

On the forthcoming talks between the General Council and the Prime Minister, Mr. Murray said that "it takes two to make a dialogue."

The talks would centre on policies for economic recovery and the reduction of unemployment.

The leader of the Opposition, Mr. James Callaghan, is scheduled to speak to the 1,200 delegates tomorrow afternoon.

Mr. Murray said that he expected Mr. Callaghan would talk about how the Labour Party and the TUC—"each in our own way and together"—could resist the Government's economic policies.

● The TUC has produced a special congress broadsheet as part of its campaign for economic and social advance.

It attacks the level of unemployment and describes the Employment Act as "just part of an anti-union strategy."

The Act, it says, now means British workers' rights compare unfavourably with those of other European workers in a number of key areas, "including unfair dismissal, maternity and minimum pay rights."

Chapple to organise his own visit to Poland

BY NICK GARNETT, LABOUR STAFF

MR. FRANK CHAPPLE, the general secretary of the electricians' union EPTU and bitter critic of the planned TUC visit to Poland, said yesterday that he would be attempting to organise a separate trade union delegation — but to visit the Polish strikers only.

The decision to do this, which underlines and emphasises the division within the TUC over the proposed visit, came after an executive meeting of his union.

It agreed to vote against the TUC General Council's own emergency motion on Poland. This motion, hopes for the setting up of an independent trade union movement in the country and also gives congress support to the forthcoming visit by members of the TUC's economic committee.

Mr. Chapple said yesterday his executive was not prepared "to enter Communist dictatorship at the behest of Communist Governments."

Mr. Chapple will be trying this week to organise a delegation but was mindful of possible visa difficulties.

At the same time, the executive of the Civil and Public Services Association voted by 25 to none against with eight abstentions to keep its motion which calls on the TUC to abandon the Polish visit.

The CPSA, which has been resisting attempts to have the motion withdrawn, appears to believe, however, that it has little chance of succeeding, largely because the General Council's own motion will be taken first.

The CPSA delegation is trying to alter the timetable for this precedure.

Mr. Vladimir Borisov, the electrician and organiser of a free trade union movement (SMOT) in the Soviet Union who was deported from the USSR in the summer, said yesterday that the visit of the TUC delegation as it was currently arranged would be "a slap in the face" for the Polish strikers.

It was a "nonsense" and would do "harm" to the strikers. In a slightly confused press conference, organised by the electricians' union, Mr. Borisov said he would support a TUC delegation to Poland if its main intention was to see the Polish strikers, and if meetings with official trade unionists were secondary.

The TUC visit has been arranged with the official trade union movement, but the British delegation wants to see representatives, including the strikers, of all trade union developments in the country.

BL forced to shelve new pact with unions after disagreement

BL's ATTEMPT to secure an agreement with unions which would commit them to taking active steps to prevent unofficial or sympathetic industrial action has effectively been suspended, at least until later in the year, because of union disagreement over the company's negotiating machinery.

The freezing of the company's proposals, which have already been under consideration by the unions for three months, results from the union's decision not to let the Confederation of Shipbuilding and Engineering Unions handle negotiations with the company after it withdrew its car and vehicle divisions from the Engineering Employer' Federation.

The unions were due last Friday to give their response to the company's confidential draft relationship agreement, which includes the clauses on unofficial and sympathy strikes, but the CSEU felt it could no longer speak for all BL unions.

Instead, individual unions will frame their own responses to the proposals, which could further delay agreement.

One apparent casualty of the switch in bargaining, which will now be handled by individual negotiating bodies for cars and vehicles, is the company's proposal for a BL Council.

The council would have had as its terms of reference the formal acknowledgement by both the company and the CSEU of "their unique responsibility for securing the survival and the success of the UK's only remaining automotive manufacturer."

It would have served as "the formal link between BL and the unions."

Mr. Alex Ferry, CSEU general secretary, said yesterday the company would now have to develop new structures, involving the two new bargaining bodies, before the council could be set up.

The CSEU will continue in a caretaker role until the new negotiating councils are established. Eventually, its responsibilities will be limited to lobbying the Government over wider industrial issues concerning BL.

The ending of CSEU involvement with BL is seen as a clear victory for the more militant Transport and General Workers' Union over the moderate engineering union which wanted to maintain CSEU involvement.

Further difficulties between the two large unions could lie ahead because they have yet to decide the composition of the new councils.

BL was unwilling to receive a pay claim this year from the unions before they had resolved their own differences over which body should present it.

Presentation of the pay claim —shop stewards have been calling for 20 per cent as a target —is now expected to proceed, using the present negotiating machinery.

13,700 jobs lost in textiles

A TOTAL of 13,720 jobs were lost in the UK textile industry in the first seven months of this year. Yorkshire saw 7,399 vanish, Scotland lost 2,627, and the remainder went in Lancashire, the North West and the West of England.

Notified claims for short-time working subsidy over the same period reached 10,195.

These figures were published at the weekend by the National Union of Dyers, Bleachers and Textile Workers, whose members will be distributing leaflets among West Yorkshire shoppers this month, urging them to buy British textiles and other clothing in an effort to save jobs.

Scottish steel plant to put 6,000 on short-time

STEELWORKERS' union leaders at British Steel's Ravenscraig plant in Scotland disclosed at the weekend that they had been told by BSC that nearly 6,000 workers at the plant face short-time working.

British Steel had announced that 600 workers at the plant would be laid off one day a week every eight weeks, but at the weekend Mr. Tom Brennan, Iron and Steel Trades Confederation convenor, said that the unions had been told that unless there was a dramatic change in the order load all the workforce would face working only three week in every four.

Scottish MPs immediately declared that they would seek talks with both Sir Keith Joseph, Industry Secretary, and Mr. Ian MacGregor, BSC chairman, to try to seek guarantees that the steel industry in Scotland would not be further run down.

A BSC spokesman could not confirm that all employees at the plant are to be put on short-time working but he said that the short-time working position was being continually reviewed.

'Systematic attack' on union power

BY NICK GARNETT, LABOUR STAFF

THE Government was accused yesterday in an economic booklet produced by the Society of Civil and Public Servants of operating a coherent policy to undermine *the power and* influence of working people.

The booklet, "The Advance of Decline," says the effect of the present policies of unemployment, higher prices, and cuts in State benefits and services is to reduce living standards by more than £15,000m a year—an average of over £10 a week for every adult worker in the country.

"There is a systematic attempt by Government and employers to cut real pay levels," the union said yesterday. "The CBI is trying to organise private employers to cut real wages. The Government is implementing a policy of cutting public sector wages.

"The rising level of unemployment is being used to intimidate workers, and attacks are being made on trade union organisations to weaken resistance."

Specific Government measures were said to be responsible for as much as half the increase in prices up to the middle of this year.

The society is producing 14,000 copies of the 72-page booklet, which will be sent to MPs and trade unions as well as being circulated among TUC delegates.

Mr. Gerry Gillman, the union's general secretary, said yesterday that unions must resist the Government's economic policies and that one of the primary ways of doing this was through economic education.

This was the principal reason for publishing the booklet, third in a series produced by the union as a critique of Government economic policies.

In a letter to MPs introducing the booklet, Mr. Gillman says the most appalling consequence of current policy is the level of unemployment.

"The Government tries to put across the view that unemployment is caused by pay rises and that the solution lies in cutting workers' pay. This is a systematic lie.

"The Government itself has created *unemployment* by constraining the money supply, making cuts in public spending, maintaining high exchange and interest rates, and imposing cash limits on public services and nationalised industries.

"It then uses the rising level of unemployment as a threat to intimidate workers in an attempt to cut real pay levels."

The union said yesterday that tax *changes* had not benefited ordinary workers but had shifted the burden away from businesses, unearned and high-level incomes.

Boyd attacks Duffy critics

By Philip Bassett, Labour Staff

SIR JOHN BOYD, the moderate general secretary of the Amalgamated Union of Engineering Workers, yesterday criticised Left-wingers in the union for their "sabotaging" attacks on Mr. Terry Duffy, the AUEW president, in the final run-up to the opening next week of the union's presidential ballot.

Ballot papers will be despatched tomorrow week to all the 1.1m members of the AUEW engineering section. These will be for a round of elections for a range of posts at different levels of the union's organisation.

The most crucial election is for the union's presidency. About eight candidates are standing for the post. In spite of inclusion in the lists again of Mr. Roy Fraser, the unofficial leader of BL's militant toolmakers, the main challenge to Mr. Duffy's re-election will come from Mr. Bob Wright, the union's Left-wing assistant general secretary.

The result of the first round of the election—if one candidate fails to secure an overall majority the two leading contenders hold a second ballot in the spring—is likely to be known by the end of next month. Mr. Duffy beat off a strong challenge from Mr. Wright to secure his first presidential term.

First word

Mr. Duffy has always been seen to have been closely associated with Sir John, so the general secretary's support for his re-election against the Left-wing challenge is no surprise.

Sir John's statement in his editorial in the union's journal is, however, the first official word of the union on the forthcoming elections. These will be a crucial battle between the Right-wing controlling the union, and its Left. The statement is effectively a piece of outright campaigning on Mr. Duffy's behalf.

Sir John says that it is "discreditable" of those union members who "for their own selfish aims and personal ambitions" are distributing *literature seeking to belittle* the efforts of the union's present leaders and to "denigrate our democratically-elected leadership."

Sir John says that "such sabotaging stunts are an insult to the intelligence of our members."

Unofficial campaign literature, including Left-wing "Dump Duffy" badges, has as usual been circulating in the union, which makes no secret of its deep political divisions.

Puppeteers

In particular, some of the Left-wing literature has been critical of the dominance maintained by the Right at the union's national com*mittee earlier this* year. Then, among other decisions, Left-wing attempts to set a minimum target of £115 for the engineering industry pay claim submitted last week to the employers were rejected. Some literature pictures Sir John and Mr. Duffy as puppeteers controlling the committee's 29 Right-wing delegates.

Sir John *stresses* the leadership qualities shown by Mr. Duffy and the present executive council in last year's engineering dispute over pay and hours, but also in attempting to influence the policy of both employers and Government.

Sir John states: "That success has not as yet crowned these efforts is not the fault of our present dedicated leadership who, in conformity with our union's policies, will be seeking to direct the debate and decisions at the TUC to concentrate on these important issues in the interests of job security and our members' standard of living."

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

● DESIGN

Growing role of computers

WHAT HAS a perfume bottle maker, a car manufacturer, an embroidery artist and an aircraft builder in common?

They all use some aspects of computer aided design and manufacturing to produce their goods. They have benefited not just in cutting costs but reducing the time taken to produce a design, giving them a vital competitive edge.

In its most basic form, a computer aided design/manufacture system—CAD/CAM for short—is made up of a mini-computer, a typewriter style keyboard, a monitor/television screen and a light pen. With the aid of a special computer programme the user can draw the outline of any component from a simple gear to a complex integrated circuit with the light pen.

Once drawn it can be simulated in three dimensions on the screen to any desired angle, produced in front, side and top views, rotated and manipulated in any other way.

This means that the designer can easily modify the part be has designed, change the scale at the touch of a button, annotate the drawing and even check that it will fit in, with other parts of the overall design.

Once he is happy with the design, a paper copy can be automatically printed.

In addition, the computer can be used to carry out detailed analysis of the parts performance and generate the computer tape needed to guide a numerically controlled machine which will actually make it. The computer can work out how much material is needed to make the part and its cost, giving complete control over the design and manufacturing processes.

CAD/CAM systems have become increasingly popular over the last five years or so. Originally they were used chiefly by electronics companies for integrated circuit design. Silicon chips had become so complicated that it was impossible to produce circuits without automating the process.

Now they are beginning to find application in the mechanical engineering industry for a wide variety of applications from aeroplanes to hair dryers. According to Computervision, one of the leaders in CAD/CAM technology, the design cycle for a car has dropped from five years to only two, using automated systems.

General Motors in the U.S. used CAD/CAM in 1978 for the design of its mid-sized cars. The company said that these models would have taken an extra year to produce without such a system.

St Gobain, the French glass company, uses the system to make fancy perfume bottles. Its productivity has increased sevenfold since it bought Computervision's system. For every bottle design which appears on the market, 1,000 end up in the rubbish bin.

Faced with the difficulty of obtaining skilled draftsmen and designers some companies have adopted CAD/CAM simply to make better use of their existing staff. Much of the emphasis in selling such systems has been placed on the dramatic increases in productivity which can be achieved.

Many of the companies which manufacture CAD/CAM systems are relatively small since until recently the large computer companies did not feel that the market was sufficiently big to attack in a formal way.

But this situation is likely to change since the market last year was estimated to be worth about £100m and has been growing at the rate of between 35 and 50 per cent a year.

ELAINE WILLIAMS

● ELECTRONICS

Interleaves analog signals

THE TREND to microelectronic circuitry means that devices which once occupied substantial floor space can now be supplied as palm sized packages.

Among the latest are new additions to Harris Semiconductor's family of high speed analog multiplexers.

Harris says these are the fastest of their kind available with typical settling speeds of 800 nanoseconds.

The new products, the HI-516 and the HI-518, are expected to find ready application in areas such as high speed data acquisition in avionics electronic warfare and industrial control.

The HI-516 is 16 channel and can be used in single ended or differential mode. The HI-518 is eight channel and also single ended/differential selectable.

The cost of the packages again illustrates the advantages of microelectronics. For quantities of 100 and more, the 516 costs £13.67 and the 518, £7.11. More from Geoffrey Haynes of Harris on 0753 34666.

● COMPONENTS

Wheels for light loads

PNEUMATIC tyres rotationally moulded from unreinforced pvc or other flexible plastics have been introduced by Dawman and Co., Barrowford, Nelson, Lancs (0282 66454) for a variety of low-speed leisure vehicles such as golf carts, garden wheelbarrows and boat-launching trolleys.

Dawman claims to have developed a new rotational machine with several special features, enabling it to perform the "doughnut" type of tyre moulding as well as other rotational moulding.

● INSTRUMENTS

Keeps a record underground

A PORTABLE chart recorder weighing 4.9 kg and developed for the Mining Research and Development Establishment has been introduced by Rapco Electronics, 10 Joule Road, Houndmills, Basingstoke, Hants. (0256 25454). Battery-powered it is being used underground by the National Coal Board to record signals from transducers measuring temperature strain flow, tilt and hydraulic pressure.

The Rapco PCR 1 is a self-contained single-pen potentiometric recorder with 10 switchable chart speeds from 12 mm/hour to 12 metres/hour and a choice of four interchangeable signal-conditioning modules for accepting voltage, current frequency and strain-gauge inputs. Standard 120 mm by 15 mm chart-rolls with sprocket holes on both sides are used.

Two transparent hatches in the front panel allow access to the chart for writing notes and to the controls while the instrument is running. The housing is a welded stainless steel case.

● COMMUNICATIONS

TV pictures over phone lines

A METHOD of transmitting television pictures over telephone lines developed by the Post Office is to be manufactured under licence by Gresham Lion.

The technique, developed by the British Telecom Research Centre at Martlesham Heath, is called slow scan television, it is basically a method of reducing the vast amount of data provided by a television camera to a level which can be handled by an ordinary telephone line.

What British Telecom did was to settle for capturing a singla monochrome TV image, converting it into a digitised form and sending that digitised signal down the telephone line.

Using a private leased line, the techniqne is fast enough to allow a separate picture every 5.4 secoods, a speed equivalent to 48 thousand bits a second.

Using the ordinary public switched network, a picture can be transmitted every 54 seconds, equivalent to 4.8 thousand bits a second.

The system should fiod applications in the security area — where an intruder would have to be very quick indeed to beat the scanning rate — two way conferencing, remote monitoring of plant or processes and traffic observation; a whole range of uses where continuous observation is necessary but second to second changes are relatively unimportant.

The final image is displayed on a standard 625 line television monitor. The system costs from £10,000 and the Post Office has already ordered 50 systems from Gresham Lion. The Post Office will be the chief marketiog outlet for the system. Gresham Lion will give more information on 01-894 5511.

● SECURITY & SAFETY

Aluminium fencing . . .

A RANGE of aluminium fencing claimed to be suitable for all applications where appearance, cost affectiveness and minimum maintenance are important requirements has been introduced by Aluminium Fencing Systems, Staverton Airport, Cheltenham GL51 6SX (0452 713950).

The range incorporates hollow aluminium sections for intermediate posts and straining posts, with all tensioning fittings located internally. The fencing is finished in either anodised colours or powder coatings.

When fitted with aluminium chain link and horizontal or barbed wires the system is claimed to provide a lightweight alternative to ferrous materials and with the addition of anti-intruder devices and automatic gates to give a high degree of security.

. . . and work platforms

A RANGE of all-aluminium stagings designed to provide safe working platforms for building and maintenance has been introduced by Norton Eogineering Alloys, Norton Grove Industrial Estate, Malton YO17 9HQ (0653 3921).

The stagings have deeply serrated non-slip surfaces on both sides, with built-in drainage slots. Guard rails and all necessary fittings are available. Working loads of 600 lb evenly distributed (equivalent to three men spaced apart with hand tools) and 350 lb concentrated load have been tested to a four-to-one safety factor, Norton claims. The stagings weigh 5 lb per linear foot.

The 2 ft wide stagings can be fixed in multiples to provide any required width of decking and are supplied in lengths from 12 ft to 24 ft. End handles can be replaced with hooks for attachment to scaffolding towers.

● HANDLING

Keeps the load in place

TIDD STRONGBOX of Huntingdon, Cambridgeshire, has come up with a simple but effective idea in freight handling.

The company makes glass reinforced plastic ply articulated van trailers; it realised that the straps which bold loads in such trailers are frequently misused, lost or stolen.

The answer, now a standard feature of its van trailers, is an aluminium track section secured to the inside of the trailer and incorporating the restraining straps.

According to Tidd, the system has been tested to exceed the minimum needs for pull resistance laid down for air cargo load restraint systems.

The track is adaptable to accept various types of load restraint fittings and single and multi-deck loads can be secured.

Tidd Strongbox is on 0480 214500.

● TRANSPORT

Wash-up for big vehicles

AN AUTOMATIC truck-wash capable of being operated without any security staff and claimed to provide total electronic security has been supplied to Norco Transport, Birkenhead, by Centaur Electronics, 3 Chaucer Street, Oldham, Lancs. (061 620 6438).

Norco uses the truck-wash to clean its own fleet of 19 tanker-trailers and 14 tractor units, but it also makes the equipment available to other haulage firms on a contract basis. Customers are issued with electronically coded keys—one key for each driver. Since the Centaur truck-wash is entirely automatic, contract customers' drivers can use it at any time of day or night.

Centaur claims that the bonnet of any car entering the truck-wash would be flooded by the force of the water jets and that plugs and distributors would be rendered inoperative. The Centaur wash is therefore said to be suitable only for diesel-engined vehicles.

UK design for U.S. hoverbarge

THE CONTRACT for the detailed design of the boverbarge drilling rig known as the Wetlands Drill Barge System (WDBS) has been placed by the Phoenix Hovercraft Corporation, Houston, Texas, with the British firm of naval architects Burness Corlett and Partners, Basingstoke, Hants.

The boverbarge will be fabricated in the U.S., but British skill and experience in hovercraft design and equipment will be widely drawn npon. The WDBS rig was reported at length on the Technical Page on June 19.

● SERVICES

Prevention of mildew

DAMAGE caused by mildew could be costing the British textile industry as much as £10m a year, it is estimated by Wira, the Leeds-based industrial research and technical centre. Losses exceeding £50,000 from single incidences of mildew attack are known to have occurred in the woollen industry alone.

To meet this problem Wira has introduced a mildew prevention service in which companies' premises are surveyed to assess the risks of mildew attack. Each aurvey is followed by regular monitoring, advice on disinfestation, selection and application of anti-mildew agents (biocides), and recommendation of procedures to prevent further mildew damage. All this work is carried out confidentially.

The service is based at Wira House, West Park Ring Road, Leeds (0532 741526) under the control of Mr. Brian McCarthy, Wira's senior microbinlogist.

Building and Civil Engineering

£8m airport contract in Malaysia

AN ASSOCIATED company of the Taylor Woodrow group, Teamwork Malaysia Sdn Bbd, bas been awarded an £8m contract to extend and upgrade passenger facilities at Subang International Airport at Kuala Lumpur, Malaysia.

Work is for the Jabatan Kerja Raya (Public Works Department) which is responsible for both design and supervision of the project. The contract is to be phased over a 30-month period to avoid airport operations being interrupted.

The first phase will include the construction of single- and two-storey passenger transfer corridors totalling 2,600 ft in length on the runway side of the existing airport building. Following completion of these, extensive alterations will be carried out to expand and upgrade passenger bandling facilities.

The interior of the present bullding will also be fully renovated.

Back in the UK, Glasgow Rangers Football Club has awarded a £3.2m contract to Taylor Woodrow Construction (Scotland) for the building of the new North Stand at Ibrox Stadium, Glasgow. It is the third contract to be awarded to Taylor Woodrow by Rangers and follows completion by Taylor Woodrow of the East and West Stands.

The work, undertaken with T. M. Miller and Partners as architects and Thorburn and Partners as engineers, will include demolition of the existing stand and is due for completion towards the end of 1981.

The new stand, with a seating capacity of 10,400, will have an overall length of 110 metres. The structure has a steel frame and precast concrete seating decks with protected metal and brick cladding supported on reinforced concrete piled foundations.

Tbe steelwork frame is to be erected by Octavius Atkinson and Sons—also a member of the Taylor Woodrow Group. The main girder, which will have a clear span of 108 metres, will weigb 280 tons.

Hong Kong road project

A CIVIL engineering contract worth nver HK$49.5m (£4.3m) has been awarded in Hong Kong to Sang Lee Construction Cnmpany under a road construction and improvement programme for a new town in the New Territories.

The contract, let by the New Territories Development Department of the Public Works Department, includes the construction of a bridge nver the British section of the Kowloon-Canton railway and link roads totalling about 1.5 kilometres in length.

The bridge will replace a level crossing and with the link roads, will form part of tha planned road network fnr the new town. The contract will also cover improvements to be made to the river Sutlej with 350 metres of box culvert and 900 metres nf new river channel.

The road construction and improvement programme forms part nf the Government's plans to house 170,000 people in the new town. The work which will take about 21 months to complete, will be supervised by Maunsell Consultants Asia.

Houses and flats

WITH A two-year completion schedule, the Borough of Watford, Herts, has awarded John Laing Construction a £1.37m contract to build 71 houses and flats on the Kytes Estate, off Cnates Way, Watford.

The project comprises 11 house and 60 flats of traditional construction. The flats will be in three blocks, two L-sbaped and nne U-Sbaped, and all will be of two storeys. The bouses will he of two, three and four bedrooms. The arcbitects are Yorke Rosenberg Mardell.

Four jobs for Tilbury

WORTH MORE than £1m, four contracts bave been awarded to Tilbury Construction. The largest, from Kent County Council Highways and Transport Department, is for the second and third stages of an industrial road at Milton Regis, Sittingbourne, worth about £626,000.

Under a £191,000 contract, a reinferced concrete road and a drum-stacking area are to be built by Tilbury for Proprietory Perfumes (International)—a Unilever subsidiary—at its Ashford, Kent, premises. The Ford Motor Company has ordered a £115,000 extensinn to its Dunten, Essex, car park, including extensive blacktnp work and a new footbridge.

Tilbury is also to instal sheet-steel piling on the bank of the River Avon at Christchurch, Hents, for Chef and Brewer to prevent erosion and possible flooding of its Tucktonia Model Village which is a tourist attraction.

£2.1m homes scheme

SPONSORED homes for 99 families are heing built near Newbury, Berkshire, by the Devizes-based contractor F. Rendell and Sons (a Lovell Construction company) under a £2.1m programme undertaken in partnership with Newbury District Council. It Involves the construction of 99 timber-frame dwellings on a seven-acre greenfield site at Thatcbam.

The project, due for completion in 12 months, gives people wbo previously could not afford to buy their own homes an opportunity to become purchasers at below market prices, Lovell claims. Tbe two- and three-bedroom houses, semi-detached or in terraces of up to four, will be sold to people nominated by Newbury District Council.

£5.2m Sir A. McAlpine awards

THE SIR Alfred McAlpine group of companies have secured contracts worth more than £5.2m.

Largest of the contracts, valued at over £2m, is for the Yorkshire Water Authority, Eastern Division.

It involves the construction and laying of the Bridlington outfall sewer and bas been won by McAlpine Services and Pipelines (MSP) of Hooton in Cheshire. The sewer will be 1,700 metres long and 900 millimetres internal diameter. The storm water overflow will be two metres wide, one metre high and 295 metres in length. Consulting engineers are Lewis and Duvivier and the contract is due for cnmpletion in 91 weeks.

Among the other contracts, for the Mond division of ICI, MSP has secured a contract worth £1.25m to construct an 8 inch high pressure pipeline between Runcorn and Northwich, Cheshire.

It will be 25 kilometres in length and is to be completed in 16 weeks.

Also for ICI (Mnnd), MSP is to construct four high pressure pipelines across the Weaver Navigation Canal near Runcorn which is 50 metres wide.

One of the pipes, eight inches in diameter, will be continued 750 metres alnng a lagoon bank from the southern side of the canal and about 200 metres through ICI's Castner Kellner factory from the northern side. The work is scheduled for completion in 16 weeks.

Sir Alfred McAlpine & Son (Northern) will fit out the basement and ground floor nf an existing building to form new branch premises for the Standard Chartered Bank in Leeds at a cost nf about £370,000. The work is to be completed in 40 weeks.

At a cost of £250,000 Sir Alfred McAlpine & Son (Southern) will construct reinforced concrete cooling tower basins, foundations and superstructure for a pumphouse building at the Atomic Energy Authority's Culham Laboratory in Oxfordshire.

Savings of over £1m were made against an independently agreed budget of £3.1m for the design and construction and commissioning of this distribution centre for Crosby Doors at Swindon says the Client Construction Company. Because of these savings, offices and amenity areas were nearly doubled. This is one of Client Construction's latest projects based on its "management oriented package" which can be adapted to individual industrial projects. Its headquarters are at 12 Union Street, Stratford-upon-Avon, Warwicks. The distribution centre will be opened next Thursday.

Warehouses at Preston

CONTRACTS VALUED at more than £2m have been awarded by Central Lancashire Development Corporation.

The biggest, worth £2m is for warehouse units at Walton Summit Employment Centre Preston and this has gone to Wimpey. Two units of 111,600 and 31,500 square feet respectively will be provided, with provision for loading bays and office areas. Work starts this autumn and will take about 12 months to complete.

The second contract, worth £98,000 and awarded to Lovick and Green, is for a village centre meeting room. This will form part of the development corporation's Ingol Village residential scheme, north of Preston.

Helps to settle the soil

A NOVEL form of drain which speeds the movement of water from cohesive soils and so makes possible their use in foundation work has been developed by the Dutch.

Cohesive soils have a high water content which means they settle slowly, setting up serious stability problems for architects and engineers.

The soil can be removed by excavation but drainage is also effective and the Dutch research institute Enka AG claims to have developed a cheap and successful vertical drainage system.

Heart of the Enka drain is a porous core surrounded by a jacket made of Colbond CX 1000, which Enka describe as a "sturdy but flexible composite polyester material." This jacket combines high permeability with high filter efficiency — the porous core drains off the water, even Enka says, uoder extreme soil pressures.

The Enka drain is designed to drain off water, but also to help in consolidation of the soil—the smallest soil particles pass through all the filters and are drained away with the water. The larger particles are caught on the surface of the Colbond jacket. Eventually, these particles form a cladding around the drain pipe forming a natural soil filter, and at this point the whole system becomes stable.

Enka is at Enka-Haus Kasinostrasse D-5600 Wuppertal 1, The Netherlands and on (0202) 32 24 82.

Mixed bag of orders

COMPANIES in the London and Northern Group have been awarded contracts worth more than £1m. They include a £318,443 contract for E. Fletcher (Builders) to construct 30 flats in Wolverhampton for the Royal British Legion Housing Association and another worth £166,862 for G. W. Lazenby and Co. to erect 12 flats in Darlington for the Three Rivers Housing Association.

In addition, Wilsons (Spennymoor), John Crossland, Cleckheaton, and James Richmond, based in Lincolnshire, have been awarded contracts worth more than £460,000 for revitalisation work and industrial building in County Durham and Yorkshire and land drainage in the Fens.

Border Engineering, Whitehaven, has begun work on a £224,201 contract to build additional premises for West Cumberland Farmers in Carlisle.

IN BRIEF

● Wiltshier has formed a new company, Wiltshier (Management). Its purpose is to "consolidate and extend its growing fee and management contracting activities and to bring together the total resources of the Group to provide a comprehensive construction service, particularly where non-traditional contracting arrangements are most appropriate."

● J. A. Elliott bas acquired the balance of the shares of Land Development, a property investment and development company. Initially it will concentrate on commercial development and refurbishment schemes in the London area.

Work for Miller Buckley

WORTH MORE than £2m altogether, two contracts have been awarded to Miller Buckley Construction by the Property Services Agency. One, valued at abont £1.5m, is for an additional building attached to the Administration and Training Building at the Post Office Technical College, Stone, Staffordshire. The second contract, worth £698,000, is for alterations and an extension to Lee Green Telepbone Exchange, London SE13.

In the north, Miller Buckley has been awarded a contract worth £494,000 by Durbam Chemicals at Birtley, Co. Durham. It involves site preparation and construction of an amenities building for the company's anhydrous chloride plant.

Homes and remedial work

A CONTRACT worth £1.6m for building 82 bouses and flats forming the first phase of a development at Lyham Road, Lambeth, has been awarded to Walter Lawrence and Son by the London Borough of Lambeth. The work is due for completion in November 1981. The architects are Dry Hastwell Butlin and Partners and the consulting engineers Ove Arup and Partners.

Another contract, valued at more than £950,000, awarded to Walter Lawrence and Son by the Greater London Council, is for remedial works at the Barley Mow Estate, Tower Hamlets. It involves the replacement of all windows and roof coverings, and completion is dne next May.

Awards to Fairweather

TWO CONTRACTS totalling more than £750,000 have been awarded to H. Fairweather and Co., part of the Wood Hall Building Group.

One, for the London Borough of Southwark, is for a welfare building and road equipment store. It is valued at £449,000. The other, for the City of Salford, is valued at £347,000 and is for a recreation centre at Ordsall High School, Salford.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Profile

The frustrated Santa Claus

Frank Lipsius talks to a man whose commitment to East-West trade goes beyond commercial self-interest

Robert Schmidt: "Trade is peace by another name"

ROBERT D. SCHMIDT bears the credit for providing northern England with 39m Soviet greeting cards last year. Though lumbered with the role of villain in the ensuing "dumping" scandal, Schmidt actually ended up a victim himself.

The Soviet agency that had made the cards in order to buy a large computer from Control Data, Schmidt's company, eventually reacted to the British outcry by substantially reducing the computer order.

But for Schmidt the biggest disadvantage of the deal was the way it helped poison the atmosphere of East West trade, that delicate and intricate business which was dealt the biggest blow when President Carter initiated his trade embargo with the Soviet Union in January.

"People end up thinking all the Russians have to trade with us is things like cheap Christmas cards," said Schmidt, during an interview in Austria where he has been brushing up his German while writing his contribution to the corporate history of Control Data.

As vice-chairman of the American computer manufacturer, he knows a lot about what the Soviet Union has to offer in trade with the West. He spent a year and a half negotiating what became a 10-year agreement with the Soviet Union to exchange scientific and technical information. In return for giving the Soviet Union licences to manufacture discs and disc storage drives for computers, Control Data has secured a wealth of scientific know-how in a variety of fields, from earthquake-prediction research and nuclear energy software, to medical programmes for athletes, as well as a patent for coating metals with titanium nitrate in a unique and valuable metal-hardening process. Negotiated with the Soviet Department of Science and Technology, Schmidt says the agreement, which has another three years to run, "has been of equal value to both sides. It has been worthwhile for us." He hopes it will survive the embargo intact.

Treasures

One deal which the embargo scotched would have provided Leningrad's famous Hermitage Museum with a computer, in return for a visit of Hermitage treasures to museums in half a dozen American cities, including Minneapolis, Control Data's headquarters. The computer would have intiated an international cataloguing effort beginning with the three and a-half million objects in the Hermitage storerooms.

Control Data specialises in large computers, the most sophisticated of which, the Cyber 205, does 800 million arithmetic computations a second and costs between $7.9m and $16.5m. The Soviet Union has seven Control Data installations, four of them used by the Ministry of Geology in seismic exploration for oil, and one each in the Soviet weather bureau, the Academy of Sciences and the Institute for Joint Nuclear Research.

The computers are sold with contracts that restrict their application and entail periodic inspection by Control Data experts. Bob Schmidt, himself a mathematician and engineer by training, say these controls are too hard to circumvent. Among Control Data deals at the least postponed by the present trade embargo are further purchases by the Soviet Academy of Sciences and the weather bureau, as well as the sale of spare parts without which some Soviet computers could become inoperable over the course of the next year.

Schmidt, who has been involved with computers since his military service in the Korean war, hardly fits the image of top Control Data troubleshooter, a corporation which made $3½bn in sales last year and which ranks 159 in the Fortune 500.

At 55 he looks much more like the gentleman farmer (American style) that be is, though even in this sphere he cannot resist international trade, having pioneered the importation of Austrian-bred Pinzgauer cattle into America. Since he joined Control Data in 1962 he has fielded a number of special assignments. He built the Cybernet data retrieval system into a major component of CDC's worldwide service business which in 1979 contributed 39 per cent of the company's net income of $124m.

Since taking over responsibility for the company's trade with the Socialist countries in 1968, he has built that market to $30m annual sales. This is only 1 per cent of Control Data's annual income, Schmidt is quick to point out, and the Soviet Union, which is the only country affected by the present embargo, accounts for less than 40 per cent of the total. But to Schmidt there is more involved than the sale of Control Data computers.

To start with, he suggests the United States is becoming an increasingly unreliable trade partner to the Soviet Union, which already does 10 times more business with West Germany than with America. Given good relations, Schmidt reckons American business with Moscow could increase by a factor of 10, if not 20, and that the USSR represents the greatest untapped trade partner among all industrialised nations.

From a broader point of view, he echoes the old adage that trade is "peace by another name. The two poles in international relations," he says, "are war on the one side and trade on the other." A man who has been present at dinners held in the bowels of the Kremlin and presided over by Leonid Brezhnev, Schmidt also promotes international contacts as president of the American Committee on East-West Accord, a blue-ribbon group that includes as members J. William Fulbright, the former senator and J. K. Galbraith.

Punish

Schmidt fears that a misperception of Soviet achievements and capabilities lulls the United States into thinking it can punish the Soviet Union by denying it technology. There is a widely held assumption that the Soviet Union is as much as eight years behind the United States in computer technology, but he thinks two years is a more likely figure.

When the United States prevented Control Data from bidding on a Soviet contract for the construction of a factory to build printed computer circuit boards, a French company supplied the plant and technology. Schmidt himself inspected a Soviet factory making the ceramic base for integrated circuitry, which he suggests American intelligence may not know even exists: if it did, Schmidt claims, "Control Data would not face so many restrictions on its proposed sales to the Soviet Union."

A would-be international trader like Schmidt stands at a competitive disadvantage against many European countries because of the strict interpretation the United States puts on the Cocom regulations that govern the Western allies' dealings with the Socialist bloc in technologically sensitive areas. "Some countries," Schmidt says of those allies more willing to trade with the Soviet Union, "have laws that prohibit any interference in trade in new technology."

In addition, American laws impose a ceiling on the amount of money that can be lent to underwrite deals with the Soviet Union, and also prevent the American banks from matching the interest rates that elsewhere are subsidised by government to stimulate trade. Schmidt believes the best safeguards a country could have would be to rely on the criteria used by individual companies to protect their own technological advances. Since no company would jeopardise the loss of its own competitive advantage, a country need not fear the consequences of international trade, Schmidt argues.

After years of frustrated relations Schmidt alleges he has found that the United States government does not have people competent to make decisions on what is sensitive and should therefore be prevented from being exported. An export licence to ship a computer to the Soviet Union could take a year of deliberation. At the Department of Commerce, "they have no one to judge the matter. They send it to the Department of Defence, which doesn't have the personnel for that either. So that application sits there, while they hope it goes away. If it doesn't go away, they're not sure what to do with it."

Schmidt fears a similar conclusion applies to relations towards the Soviet Union as a whole, not just one Control Data computer waiting to be shipped to Moscow.

The company calculates that between 1967 and 1977 U.S. controls lost it $247m in potential deals with the USSR; it says every one of those deals was supplied from elsewhere.

BOOK REVIEWS

BY RAY DAFTER

Keeping the home fires burning

SIR DENIS ROOKE, the tough-talking and effective chairman of British Gas Corporation, finds it hard to disguise his antipathy towards journalists and politicians. In his eyes, most members of these two groups fail to understand fully the workings and achievements of the gas industry.

No doubt, therefore, he will be relieved that a book about the history of gas supplies has been written by an executive within the industry. Evolution of the Gas Industry, by Malcolm W. H. Peebles (Macmillan Press, £12) is a lucid and factual account of the way in which gas production and distribution has grown to the stage where the fuel now accounts for almost 20 per cent of world primary energy consumption.

Malcolm Peebles has been in the gas business since 1956. In 1964 he was one of the founder members of the Royal Dutch/Shell Group's natural gas co-ordination group and since 1977 has been director of planning and finance for Shell International Gas. The pedigree shows.

The book successfully traces the evolution of gas from the early experiments in Britain, France, Belgium and Germany in the 17th century, the beginnings of an industry based on coal-based "town gas" in the early 19th century, through to the present where Algeria is setting a new (high) pricing trend for internationally-traded natural gas.

The author also provides a peek into the future. The main markets for natural gas—the U.S., Western Europe and Japan—are already experiencing or expecting supply shortages, he says. And yet there are abundant known resources. The international liquefied natural gas trade was expected to grow from this year's level of rather less than 50bn cubic metres to over 150bn cubic metres by the turn of the century.

Rather than range aimlessly over the world gas scene Peebles has concentrated his analysis on five major producing/consuming countries—the UK, the U.S., Japan, the Netherlands and the Soviet Union. The 36 pages set aside for Soviet gas is reason enough to buy the book, bearing in mind the difficulty of obtaining factual and readable accounts of this important sector of the world gas industry. By 1867, we learn, some 6,000 street lights in Moscow were lit by gas. More significantly, at least in terms of modern day supplies, we also find that "it must surely be only a matter of time before the Soviet Union becomes the world's largest producer, consumer and exporter of natural gas."

Sir Denis Rooke will be pleased that full recognition is given to the position of the UK in the evolution of the gas industry. As Malcolm Peebles points out, the first commercial use of gas was in the UK in the early part of the 19th century and an Englishman (among others) discovered a process to produce a combustible gas from coal over 100 years earlier. In the late 1950s the UK, along with Japan, led the world in developing processes to make gas from oil feedstocks.

At about the same time the UK pioneered the transportation of natural gas in liquefied form by ocean tanker. In 1964 the UK became the first country in the world to import liquefied gas (with Sir Denis personally involved in the project). Finally, British Gas is recognised as the largest gas entity in the Western world when measured in terms of the number of customers (14.5m) it services and supplies.

(British Gas is also a state corporation which made a record pre-tax profit of £426m in the last financial year and is set to reach annual profits of over £1bn by the mid-1980s. This achievement, commendable in business terms, is nevertheless a source of embarrassment with some politicians. The Corporation has also embarked on a Government-directed policy of raising domestic gas prices by at least 10 per cent annually in real terms — a rich source of copy for journalists.)

Malcolm Peebles properly pays tribute to one of the UK gas industry's most outstanding achievements in recent years—the conversion of 13.5m premises and 35m appliances from town gas to natural gas. When the operation was finally completed in September 1977 the total bill came to £1,027m—£577m for the conversion and £450m for the write-off of obsolete plant.

A useful reference on how the conversion operation was planned and carried out is provided by another recent publication: The History of Natural Gas Conversion in Great Britain, by Charles Elliott (Cambridge Information and Research Services, Royston, Herts, £12.50). Again it is a book written (and in some ways, published) from the inside of the gas industry. Charles Elliott was chief press officer for the Gas Council at the time of the conversion programme. The book is published in association with British Gas Corporation whose former member for marketing, James Buckley, is a director of CIRS.

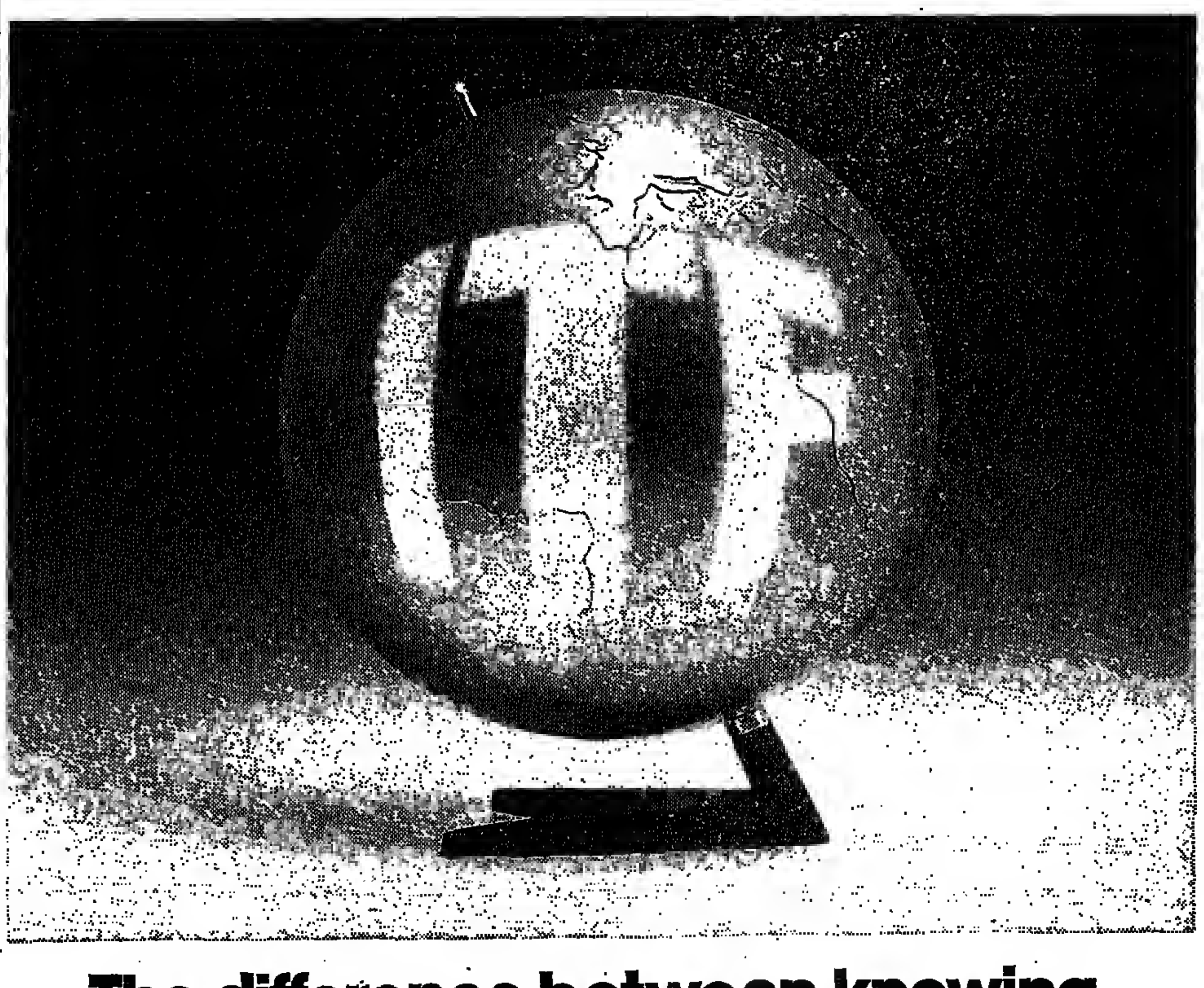
As one would thus expect, Charles Elliott lays out the case history in a sympathetic fashion. This does not mean he ignores the problems and criticisms which accompanied the 10-year operation.

In the early days when "techniques and organisations were still being tested," the national average for "call-back" rates reached a high peak of just over 25 per cent of appliances. That meant that gas fitters had to return and work again on one converted appliance in four. Some 18 months later, in the summer of 1971, the "call back" rate had fallen to just over 12 per cent. The press latched on to some of the public's complaints (those wretched journalists again); Charles Elliott singles out the London Evening Standard for having carried out the most sustained attack on the gas industry.

Generally, however, it was found that "the good relations (that) had been established beforehand with the local press helped to ensure that such complaints (about call-backs) as reached them were dealt with fairly. Very often newspaper offices acted as a sort of unofficial clearing house."

All in all the book provides a worthwhile insight into the problems of mounting a massive country-wide operation involving a large proportion of the population. One Board — the North Eastern authority — employed a team of interpreters and produced leaflets in Urdu, Bengali, Punjabi, and Gujerati so that its local community could understand what "gas conversion" was all about.

The conversion programme is a justifiable subject for the type of book written by Charles Elliott. It is a pity that it is presented by the publishers in such a dull fashion with only four pages of uninteresting photographs.



LOMBARD

The cost of closures

BY ANATOLE KALETSKY

UNIONS AND industrialists facing plant closures sometimes point out that the cost of putting a man on the dole and the loss of his taxes and insurance contributions to the exchequer can exceed the subsidies which would have been required to keep his job in existence. When the employer is a nationalised industry and the Government ultimately foots the bill for redundancy payments the balance of short-term advantage can be tipped in favour of subsidy rather than closure in the case of even the most egregious loss-makers, such as the British Steel Corporation.

Lost taxes

Back of the envelope calculations suggest it will take between four and five years for the Government to recoup the cost of making 52,000 steelworkers redundant, which is estimated by BSC at £464m, since the annual saving of roughly £250m in BSC's wage bill will be reduced by something like £100m in unemployment pay and £50m in lost taxes and insurance contributions. Nevertheless it would be hard to argue that the £464m could have been better spent on supporting employment in the steel industry, given the bleak prospects facing the world's steel markets.

But in the case of other recent closures, where there has been a smaller gap between collapse and survival, a Government decision to subsidise, rather than pay unemployment benefits, might have saved public money, as well as reducing unemployment. Consider the recent closure of Bowater's Ellesmere Port newsprint mill, for example. The 1,600 jobs lost there will add about £3m a year to the Government's unemployment bill. (The Treasury's rule of thumb is that an unemployed worker, on average, costs £1,800 on top of any supplementary benefits he may be able to claim for his family.) In addition, the Treasury will lose something like £2m a year in taxes and national insurance contributions.

Would a £5m a year operating subsidy have been sufficient to persuade Bowater to keep its mill open? The company was asking Sir Keith Joseph for £7.5m to compensate for what is regarded as excessive, and Government-determined, energy costs. The mill's pre-tax losses were estimated as "at least £6m." But Sir Keith got no nearer offering Bowater £5m or any other operating subsidy than to point out that money would be available under the regional aid programme if the company was interested in new investment.

The reason why Sir Keith did not even consider providing an operating subsidy for Bowater, and why most trained economists will by now throw this article into the dustbin in irritation, is that the sort of crude comparison between the costs of dole money and the cost of subsidies which I have presented is ludicrously simple-minded. Most importantly, it leaves out of account the possibility that the worker made redundant will find another job in which he can produce goods profitably, without the need for job-preserving subsidies.

The simple neo-classical model on which this idea depends assumes that a country's output is constrained by its supply of labour. Job losses in declining industries are not only necessary, but should actually be sufficient to ensure that new industries grow up to absorb any surplus labour. Competition labour and capital markets perform this remarkable transformation.

Crowded out

In reality, however, with unemployment at two million and rising rapidly, it is scarcely credible to suggest that new industries are in danger of being crowded out of the labour market if the decline of traditional industries is slowed down or arrested. Sooner or later the Thatcher Government may recognise, as did the governments of the 1930s, that it is impossible to understand what is happening to a deep recession on the basis of full-employment economics. This should not mean that every collapsing firm must be propped up by Government if this is cheaper than paying its workers unemployment benefits. But it will mean recognising many a closure—even of a firm that is somewhat unprofitable—is a loss, not a *gain*, to the British economy.

The matrimonial home put at risk

FARES ARE on the increase. Food and other prices may rise. Yet this, so the pundits tell us, is a period of recession. At such a time debt collection is more likely to wax than wane. So long as Mr. Justice Russell's judgment last month in *National Westminster Bank Ltd v Stockton* remains the law, judgment creditors have a fresh weapon in their armoury.

As is only too well known to some litigants, a favourable judgment is sometimes a Pyrrhic victory. One way in which the courts enable judgment creditors to obtain some benefit from judgment in their favour is by means of a charging order.

The effect of a charging order is to create a charge on the judgment debtor's land. Whoever buys that land, buys it subject to that charge. Anyone who subsequently lends money on the security of that land, takes his or her place in the queue after the judgment creditor with the charging order.

The ultimate sanction which gives full effect to the charging order is an order by a court for sale of the land subject to the charging order. A house-owner who fails to pay his debts may eventually lose his home.

This is not a recent remedy. In 1838, section 13 of the Judgments Act enacted in language which does little to remove from the law and lawyers a reputation for pomp and unintelligibility that "a judgment already entered up or to be hereafter entered up against any person in any of Her Majesty's Superior Courts at Westminster shall operate as a charge upon all lands, tenements, advowsons, tithes, rents and hereditaments (including land and hereditaments of copyhold or customary tenure) of or to which such person shall at the time of entering up such judgment, or at any time afterwards, be seised, possessed, or entitled for any estate or interest whatever, at law or in equity, whether in possession, reversion, remainder, or expectancy."

One of the limitations of the charging order created by the Judgments Act 1838 was revealed as long ago as 1865 when Vice-Chancellor Kindersley decided in *Thomas v. Cross* that the order could not be obtained against a judgment debtor who did not have any direct proprietary interest in the land, but had a beneficial interest in the proceeds of sale of land subject to a trust for sale.

As recently as 1970, despite such legislation as the Administration of Justice Act 1956, the Court of Appeal decided in *Irani Finance Ltd. v. Singh and Others* that the law remained as it was in 1865; and judgment creditors could not obtain charging orders against judgment debtors whose interest in their homes qualified as a beneficial interest in the proceeds of sale of land subject to a trust for sale.

A home-owner may have such an interest more easily than one might suppose, because any form of co-ownership of land whether as between husband and wife or otherwise creates a trust for sale.

The legislation in force in 1970 provides that "the High Court or any county court may, for the purpose of enforcing a judgment or order of those courts respectively for the payment of money to a person, by order impose on any such land or interest in land of the debtor as be specified in the order a charge for securing the payment of any moneys due or to become due under the judgment or order."

One of the reasons why in 1970 the Court of Appeal followed a ruling of 1865 was that "it is to our minds incredible that Parliament should have made so considerable a change in the law in so obscure a fashion . . . If it had been the intention of Parliament in 1956 to subject interests or some interests arising under trusts for sale of land to charges for judgment debts, it would surely have done so in clear terms."

Last year, the Charging Orders Act was passed. Section 2 of that Act provided that "a charge may be imposed by a charging order only on: (a) any interest held by the debtor beneficially . . . (ii) under any trust."

These were provisions which Mr. Justice Russell had to consider and apply.

In August 1978 the National Westminster Bank Ltd. had obtained judgment against Mr. Stockton for £11,604, but had received no payments from Mr. Stockton or anyone else in satisfaction of that judgment. Mr. Stockton and his wife had a house in Basingstoke, and Mr. Justice Russell had to decide whether the bank was entitled to a charging order on Mr. Stockton's interest in the house. The house was the matrimonial home, and Mr. Stockton and his wife had beneficial interests under a trust for sale in it.

The bank had applied for a charging order to Master Ritchie in the Queen's Bench Division of the High Court. This application was refused. The bank appealed, and Mr. Justice Russell, sitting during the Long Vacation, gave judgment in open court in the bank's favour.

Far-reaching

He decided, on a short point of interpretation, that section 2 of the Charging Orders Act 1979 entitled the bank as judgment creditor to a charging order on the interest of the judgment debtor Mr. Stockton in the land at Basingstoke, his matrimonial home, held under a trust for sale. He decided that the phrase "under any trust" in section 2 of the 1979 Act included a trust for sale. On his interpretation, section 2 of the 1979 Act filled the gap which, according to the Court of Appeal in 1970, section 35 of the Administration of Justice Act 1956 had left open.

This decision has far-reaching consequences. It imposes a serious burden on homes or buildings which, since the enactment of this remedy in 1838 had always been regarded as immune for this liability. Where, as happens so frequently nowadays, husband and wife are both entitled to a proprietary interest in their home, one of them by incurring a separate heavy debt can impose a serious liability on an asset, perhaps the main asset owned by both, in which the other has an interest.

One result may be that some married couples will define from the very outset the precise share which each has in the *matrimonial home*. A *charging order* on the interest of one of the co-owners of a house will be worth little if the share of that co-owner in the house is small, say, 10 per cent.

Suppose that the judgment creditor feels obliged to apply for an order for the sale of a house in joint ownership so as to give effect to the charging order on the beneficial interest of one of the co-owners. What factors will guide a court in deciding whether to order the sale of the house?

Of course, Mr. Justice Russell's ruling may be tested at some future date in the Court of Appeal, in Mr. Stockton's or in some other case, and the Court of Appeal may put a different interpretation on the 1979 Act.

But in the meantime, judgment creditors have little cause for carping at the law's inadequacies when a judgment such as Mr. Justice Russell's is given during vacation.

THE WEEK IN THE COURTS

BY JUSTINIAN

Beneficiaries

One of the consequences of the far-reaching property legislation of 1925 was that many persons became beneficiaries under trusts for sale without being aware of this fact or its implications.

Mercer may still carry the field

RACING

BY DOMINIC WIGAN

SINCE CARSON, Piggott and, to a lesser extent, Eddery, have been catching racing headlines over the past couple of months, the occasional race follower could be forgiven for thinking that the fortunes of the champion, Joe Mercer, have slumped to an all-time low.

In fact, Mercer remains on target to better all but last season's personal best of 164, without anything like the backing that Henry Cecil had anticipated from his Warren Place team at the start of the campaign.

This afternoon at Nottingham, where Mercer stretched an unassailable title lead over Carson on the corresponding day a year ago, the champion can show that he has lost none of his flair on Baas and Henry's Wish.

Although the Jeremy Hindley juvenile, Baas, has not quite lived up to early season expectations, I do not share the view that his effort last time out in Doncaster's seven furlong San Scio Stakes was a disappointing one.

Mr. Jim Joel, for whom Light Cavalry's half-sister, Fairy Footsteps, appears to be by far and away the country's best Oaks prospect at this early stage, and for whom The Thatcher may still reach the top, has another useful first season performer in Henry's Wish.

On his only appearance to date, Henry's Wish showed good speed for half a mile, until lack of peak fitness told in a six-furlong maiden at Yarmouth on August 6.

Another jockey enjoying a fine campaign, and, riding better than ever, is John Read. He, too, should be among the winners on the Midlands track. I hope to see his mount, Tune Up, a close third of 19 behind Tarvie at Windsor on her last appearance, finally get her head in front in the Sterope Handicap, and Lorentino to complete the Reid double 90 minutes later.

Further south, the progressive Julesian looks to be the best of Eddery's Windsor mounts.

NOTTINGHAM
2.30—Baas
3.00—Tune Up**
3.30—Henry's Wisb*
4.00—Irish Poet
4.30—Lorentino

WINDSOR
3.00—Elkie
3.30—Footshore
4.00—Saba Nejd
4.30—Sir Eamon
5.00—*Julesian****
5.30—Restful

ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

VAUDEVILLE. S. CC. 01-836 9988. Group sales 379 6061. Air-conditioning. Evgs. 8.00. Sats. 5.00 & 8.30. Wed. mat. 2.45. IAN OGILVY, SHEILA GISH, JAMES COSSINS in STAGE STRUCK. A new thriller by Simon Gray.

VICTORIA PALACE. CC. 01-828 4735-6. 01-834 1317. Evs. 7.30. Mat. Wed. and Sat. 2.45. ANNIE. Group sales Box Office 379 6061.

CINEMAS

ART GALLERIES

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 10.55 Cricket: Cornhill Insurance Centenary Test—England v Australia. 1.30 pm Heads and Tails. 1.45 News. 2.05 Cricket: The Centenary Test. 4.13 Regional News for England (except London). 4.15 Play School. 4.40 Lassie. 5.00 John Craven's Newsround. 5.05 Go With Noakes.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 Angels.
7.20 Star Trek.
8.10 Panorama: "What About the Workers?"
9.00 News.
9.25 Monday Film: "An Investigation Of Murder," starring Walter Matthau.
11.15 The Editors.
11.50 Weather/Regional News.

All Regions as BBC 1 except as follows:—

BBC Cymru/Wales — 1.30-1.45 pm Tredwt. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 11.50 News and Weather for Wales.

Scotland — 1.25-1.30 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.50 News and Weather for Scotland.

Northern Ireland—4.13-4.15 pm Northern Ireland News. 5.55 Scene Around Six. 6.20-6.55 Land 'n' Larder. 11.50 News and Weather for Northern Ireland.

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
2.00 Trades Union Congress from Brighton.
4.30 Cricket: The Centenary Test.
6.35 Open University.
7.00 Living on the Land.
7.30 Mid-evening News.
7.40 Wainwright's Law.
8.05 Don Lusher's World of Music.
9.00 Rhoda.
9.25 Horizon.
10.45 Newsnight.
11.30 Cricket: The Centenary Test highlights.

LONDON

9.30 am Artistry in Tureens. 10.00 Wild, Wild World of Animals. 10.25 World Famous Fairy Tales. 10.40 Friends of My Friends. 11.05 Story Hour. 11.55 Dick Tracy Cartoon. 12.00 Just So Stories. 12.10 pm Rainbow. 12.30 Public Office. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Against the Wind. 2.30 Trades Union Congress. 4.15 Kidnapped. 4.45 Clapperboard. 5.15 A Sharp Intake of Breath.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Give Us a Clue.
7.30 Coronation Street.
8.00 Keep It in the Family.
8.30 Just Liz.
9.00 "Marathon Man," starring Dustin Hoffman and Laurence Olivier (part 1).
10.00 News.
10.30 "Marathon Man" (continued).
11.50 The New Avengers.
12.50 am Close: "Sit Up and Listen" with Garth Hewitt.

All IBA Regions as London except at the following times:—

ANGLIA

8.35 am The Adventure World of Sir Edmund Hillary. 10.00 Rocket Robin Hood. 10.25 Child Life in Other Lands. 10.50 *The Beachcombers*. 11.10 Animated Classics. 12.00 Just So Stories. 1.20 pm Anglia News and Weather. 2.00 About Britain. 5.15 University Challenge. 8.00 About Anglia. 8.30 Survival. 11.50 A Witness to Yesterday. 12.20 am Reflection.

ATV

8.35 am Call It *Macaroni*. 10.00 The Wild, Wild World of Animals. 10.20 Sesame Street. 11.20 The Paper Lads. 11.45 Larry the Lamb in Toytown. 1.20 pm ATV News. 2.00 About Britain. 5.15 Mr. and Mrs. 6.00 ATV Today. 11.45 ATV News. 11.50 Something Different.

BORDER

8.35 am The Adventure World of Sir Edmund Hillary. 10.00 Showjumping with Harvey Smith. 10.30 How The West Was Won. 1.20 pm Border News. 2.00 About Britain. 5.15 George Hamilton IV. 6.00 Lookaround Monday. 6.15 Mr. and Mrs. 6.45 The Sound of . . . Pat O'Hara. 11.50 Barney Miller. 12.15 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News. What's On Where, and Weather. 2.00 About Britain. 5.15 University Challenge. 6.00 Channel News. 6.10 Cities: Jonathan Miller's London. 10.28 Channel Late News. 11.50 News and Weather in French.

GRAMPIAN

6.25 am First Thing. 6.35 The Beachcombers. 10.00 Showjumping with Harvey Smith. 10.25 How The West Was Won. 1.20 pm North News. 2.00 About Britain. 5.15 University Challenge. 8.00 North News. 6.10 Bailey's Bird. 8.30 Bovine Country. 11.45 *Reflections*. 11.50 *Barney Miller*. 12.15 am North Headlines.

GRANADA

9.30 am The Lost Islands. 9.55 The Beatles. 10.15 Wildlife in Crisis. 10.35 The Paper Lads. 11.00 Sesame Street. 1.20 pm Granada Reports. 2.00 About Britain. 5.15 Happy Days. 6.00 Granada Reports. 11.50 Superstar Profile.

HTV

10.00 am The Beachcombers. 10.25 The Lost Islands. 10.50 Sesame Street. 11.50 Cartoon Time. 1.20 pm HTV News. 2.00 About Britain. 5.15 Mr. and Mrs. 6.00 Report West.

HTV Cymru/Wales—As HTV West/HTV General Service except: 12.00-12.10 pm Trehellau. 2.00-2.30 Hamddan. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales.

SCOTTISH

9.30 am Friends of Man. 10.00 Showjumping with Harvey Smith. 10.25 How The West Was Won. 1.20 pm News and Road and Weather. 2.00 About Britain. 5.15 Mr. and Mrs. 8.00 Scotland Today. 8.40 Crimedesk. 11.50 Late Call. 11.55 George Hamilton IV.

SOUTHERN

9.30 am Call It Macaroni. 9.55 Untamed World. 10.20 Le Village, un Village. 10.50 Little House on the Prairie. 1.20 pm Southern News. 2.00 About Britain. 5.15 Survival. 6.00 Day By Day. 11.50 Superstar Profile.

TYNE TEES

9.20 am The Good Word, followed by North-East News. 9.30 The Master Builders. 9.55 The New Ed Allan Show. 10.20 The White Stone. 10.45 Space 1999. 11.40 Adventure Canada. 1.20 pm North-East News and Lookaround. 2.00 About Britain. 5.15 The Adventures of Black Beauty. 6.00 North-East News. 6.02 Double Ten. 6.25 Northern Life. 10.30 North-East News. 11.50 The Guinea Pig Club. 12.45 am Relationships.

ULSTER

9.40 am Spiderman. 10.00 Showjumping with Harvey Smith. 10.25 The Lost Islands. 10.55 Sesame Street. 11.55 Cartoon Time. 1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Mr. and Mrs. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 11.50 Bedtime.

WESTWARD

9.30 am Survival. 10.00 Show Jumping with Harvey Smith. †10.25 Feature Film: "Blue Murder At St. Trinian's," starring Terry-Thomas and George Cole. 11.45 Cartoon Time. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.00 About Britain. 5.15 University Challenge. 6.00 Westward Diary. 10.31 Westward Late News. 11.50 Faith For Life. 11.55 West Country Weather and Shipping Forecast.

YORKSHIRE

9.30 am Arctic Tundra. 10.00 Wild, Wild World of Animals. 10.25 Moby Dick. 11.10 Young Ramsay. 1.20 pm Calendar News. 2.00 About Britain. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Calendar Calling. 11.50 The Jazz Series.

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92.95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf

Capital Radio: 1548kHz, 194m & 95.8vhf

London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.32 Simon Bates. 10.32 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.32 Simon Bates. 3.32 Simon Bat——
Peter Powell. 6.31 Stayin' Alive. 7.31 Mike Read. 10.02-12.00 *John Peel* (S).

RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S). 7.32 Ray Moore (S). 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music with Jean Challis (S). 8.03 *John Dunn (S)*. 6.02 *Folk on 2 (S)*. 8.02 Humphrey Lyttelton with the Best of Jazz on record (S). 9.55 Sports Desk. 10.02 Free Soln. 10.30 Star Sound. 11.02 Sports Desk. 11.03 Peter Clayton with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 8.55 Clare's Country Characters. 9.00 News. 9.05 This Week's Composer (S). 10.00 Bach and Schubert piano recital (S). 10.55 Test—England v Australia, including 1.35 pm News, 1.40 Your Letters Answered and 2.00 Lunchtime Scoreboard. 6.40 Much Ado About Nothing. 7.00 Examples of a Single Thing. 7.30 Proms concert, part 1: Stockhausen (S). 7.50 The Story Teller (short story by Saki). 8.10 Proms, part 2: Beethoven (S). 8.50 The Festival Scene (Bernard Levin reports from Edinburgh). 9.10 Proms, part 3: Dvorak (S). 10.00 *D'Arcy's Farewell to Arcady* (S). 10.30 George Adams/Don Pullen Quartet (S). 11.00 News. 11.05-11.15 Barber (S).

VHF—With Medium Wave above except as follows: 6.00-7.00 am Open University. 11.00 Edinburgh International Festival concert, part 1 (S). 11.45 Festival Comment. 12.00 Festival, part 2 (S). 1.00 *pm* News. 1.05 Vesuvius Ensemble (S). 2.00 Matinee Musicale (S). 3.00 Delme String Quartet (S). 4.05 New Records (S). 4.55 News. 6.00 Mainly For Pleasure (S). 6.20-7.00 Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 The Call of the Wild by Jack London. 9.00 News. 9.05 Start the Week with Melvyn Bragg from Carlisle. 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service (S). 10.45 Story Time. 11.00 News. 11.05 Peace Comes Dropping Slow (The story of the Peace People of Northern Ireland). 11.50 Weigh-in. 12.00 News. 12.02 *pm You and Yours*. 12.27 Brain of Britain 1980 (S). 12.55 Weather: programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 Afternoon Theatre. 4.45 Short Story. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather: *programme news*. 6.00 News. 6.30 Rumpole (S). 7.00 News. 7.05 The Archers. 7.20 Science Now. 7.45 The Monday Play (S). 9.00 Open Channel. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The News Quiz (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Music at Night. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 6.35 Music on the Move. 7.03 Black Londoners. 8.00-5.00 am Joins Radio 2.

London Broadcasting

6.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 6.00 pm After Eight Special. 6.00 Mike Dickin—Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 3.30 LBC Cinema. 4.00 After Eight Sunday. 6.00 Morning Music.

Capital Radio

6.00 am Mike Smith's Breakfast Show (S). 9.00 Mike Allen (S). 12.00 Graham Dene (S). 1.00 pm London Today (S). 1.10 Graham Dene (continued). 3.00 Roger Scott (S). 7.00 London Tonight (S). 9.00 Alan "Fluff" Freeman (S). 11.00 John Sachs's Late Show (S). 2.00 am Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,362

ACROSS

1 Chairman of the Coal Board in the West country? (8)
5 Port authority crime squad not easily disturbed (6)
10 Stand up to Times leader in one aspect (5)
11 Not any Frenchman attracts one northern friend by name (9)
12 Surrounded girl ended confusion (9)
13 River left by bird (5)
14 Dip-switch for the less intelligent (6)
15 Eastern vote pursued sound quotation (7)
18 Fools very keen on taking facial snap (7)
20 The bar could be an inspiration (6)
22 Quick to see flat opposite (5)
24 Summary has one on accuracy (9)
25 Daily duties (9)
26 Amin given honour in a manner of speaking (5)
27 Article on one way to become a believer (6)
28 One trap spoken about in novel (8)

DOWN

1 Bungled chance of having hands protected (6)
2 Praise for progress towards delicate state of course (4, 5)
3 Perspiring after squash just published (3, 4, 5)
4 Like a ring to cancel a right (7)
6 Glebe in which one is still in existence (4, 2, 3, 6)
7 Youth side going great guns (5)
8 Uninteresting dish awaiting exposure and development (3, 5)
9 Point to mire for example turning up in blur (6)
16 Trait adapted into another form of sorrow (9)
17 Borg overhead successful on Broadway (5, 3)
19 Excellent bit of advice given to heed (6)
20 Wave to demolition contractor (7)
21 Reputation made in the Spanish glossy coat (6)
23 Entertain one girl in nine (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

THE ARTS

EDINBURGH FESTIVAL

Scottish Vixen

by RONALD CRICHTON

The Cunning Little Vixen seen at the King's Theatre last week, was the first of two new productions Scottish Opera brings to this year's Edinburgh Festival. It proved, on the musical side especially, a worthy continuation of the series of Janacek operas the company is jointly mounting with Welsh National Opera. The directing team, Richard Armstrong as conductor, David Pountney as producer, Maria Björnson (sets and costumes) and Nick Chelton (lighting) as designers, remains the same. The reception from a full house was enthusiastic.

The Vixen, in which animals and humans commingle in the Moravian Forest, and in which parallels are drawn between their respective behaviour, is notoriously full of pitfalls for producer and designer. Mr. Pountney and Miss Björnson use a tilted greensward of steep hillocks which slides apart at the front to show the cottage yard and inn parlour on a lower level. For summer, overhanging branches with birds suspended in what appear to be ancient balloon-cages. For winter, sheets of slippery white nylon for snow — not an entirely successful idea. Excellent lighting for the forest scenes makes one indulgent about his de-bits animal costumes — some good, some clumsy, some unidentifiable. The question of relative scale is ignored: the not very important dragon-fly dominates the stage like an insect Oberon. Everyone seems so terrified of visual coyness (though nothing could really be more twee than the use of woolly scatter cushions for forest undergrowth) that the animal wedding at the end of the first part and the final, healing paean to nature both fall slightly below the mark.

The humans, and the pair of foxes when they approach human status come off strikingly well. Helen Field's Vixen is extraordinary - ruthless, aggressive, fatally defiant, vividly sung and declaimed. Her quieter moments are no less good. I don't remember seeing the wooing with Arthur Davies as an unusually winning dog-fox, so sensitively done. The schoolmaster of Nigel Douglas, a rigidly conventional man pathetically bottling up a passion for an unsuitable girl, adds one more sharply-executed portrait to his versatile gallery. There are other good performances from Philip Joll as the Forester, from Curt Appelgren as the Parson, from Malcolm Donnelly as the poacher also, among the animals, from John Robertson as the rooster dated, with his harem of hens, to meet a swift end from the vixen's teeth.

The dangers of this opera lie in the libretto and its comic-strip origin. Janacek's compassion and penetrating observation of speech and nature noises irradiate and ennoble a flimsy basis. Richard Armstrong, already one of our most experienced Janacek conductors, and the Scottish Opera Orchestra, started bumpily but settled down to a reading in which rough vitality was tempered with sympathetic poetry. A high proportion of the words (Norman Tucker's translation) came through. Wonderful score, that comes up so freshly every time one hears it.

Wozzeck

Scottish Opera followed *The Cunning Little Vixen* with a second new production—Berg's *Wozzeck*. The quality of the two successive evenings and of Thursday's *Wozzeck* in particular implies that the period of uncertainty is done. With a bang the company appears to have resumed the prominent place it formerly occupied. Sir Alexander Gibson conducted. The producer was the American David Alden; the designers David Fielding (sets and costumes) and Charles Bristow (lighting). On the first night there were a few empty seats but the performance made a considerable impact.

One recognised the sharply focused, unremitting theatrical excitement that distinguished much of this producer's *Rigoletto* last year, and in *Wozzeck* the quality is more evenly applied. A hostile reviewer could claim with some justice that Alden's method is an anthology of post-Expressionist theatre and indeed many familiar features are there—a Brechtian half-curtain, whistling, clicking and flashing, a white, wedding, box like the Covent Garden *Grimes*, the lighting crew visibly holding spots, much paraphernalia also visible and rather too frequent glimpses of clothes and sheets hanging out to dry as a means of furnishing the bare stage.

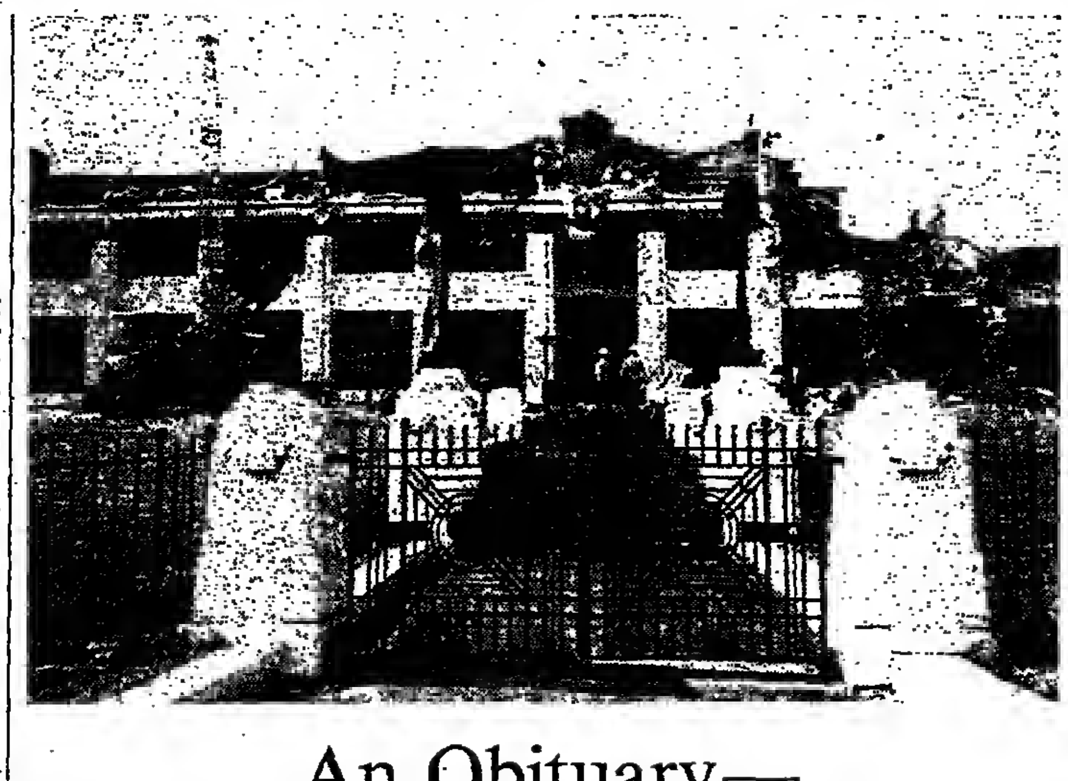
These things are used not for doctrine's sake but with fair and intelligent to serve the work. Though the elements are plain the visual side of this *Wozzeck* is stunning, with the beer-garden a tour de force of slow motion, downtrodden depravity (the tavern episode makes brilliant use of dancing in jagged silhouette). Full, overhead white light is used sparingly, and with tremendous effect. There is much grey, but the colour of blood in the later scenes is ruby-red of unusual depth. Two miscalculations need adjustment: the baritone soldier or apprentice (sung I think by Norman White) looked at times confusingly like Wozzeck. The half-curtain does next to nothing to dampen the noise of the quick scene changes.

Alden uses his singers plastically, their movements expressive both individually and in relation to one another. One might call this ability *choreographic* if more choreographers possessed it — Balanchine of course is one who does. The Scottish cast responds with alacrity. Benjamin Luxon's Wozzeck expresses his inarticulateness with moving intensity in terms of physical near rigidity—a performance of subtlety and power in which the management of the vocal lines from song through speech-song to inhibited speech is masterly.

Wozzeck's principal tormentors, the Captain and the Doctor, are played by Francis Egerton and Roderick Kennedy respectively as a George Grosz mankin and a Hoffmannesque scarecrow with stove-pipe hat, dark glasses and tapping stick. Excellent portraits, vocally on the light side—while the German coaching has been thorough, the singing generally has less than Germanic weight. The Marie of Elise Ross, hollow-eyed and despondent, is expressive in posture and often in musical phrasing but the role does not always lie comfortably for her voice. The top is strained and on Thursday the Bible reading made curiously little effect.

Arley Reece's puppy-fat Drum Major is so far less sharply drawn than the other principals. Alexander Oliver's Fool, on the other hand, a part lasting about one minute, is unforgettable. The King's Theatre pit is too small and shallow for Berg's orchestra. Gibson and the Scottish National were right all the same not to spare the whips and scorpions.

RONALD CRICHTON



An Obituary—The Firestone Building

by GILLIAN DARLEY

HOLIDAY week-ends tend to be good moments to photograph *buildings standing on* busy roads—most people have got to wherever they were going and it is possible to dart about on the central reservation with a diminished risk to life and limb. Accordingly, the Saturday before last I set out to photograph the Firestone Building on the Great West Road near Osterley. As I arrived, it was coming down.

Interestingly, it was not a full-scale demolition but a careful picking-off of the crucial features (rendering them unsalvageable) such as the central motif of the lavish red, green and blue ceramic surround to the main entrance. That had gratuitously been smashed to smithereens; the ceramic door jambs were untouched.

Something went very wrong on that Saturday, for the conservation movement, by now well enough versed in the necessary procedures, and in particular for the recently formed Thirties Society. Why, we might well ask, were they set up at all, if not to ensure the survival of the precious few Art Deco buildings to emerge in the late-1920s? They well knew the building was vacant and bad been so since early this year, yet they did not lobby the DoE to *spot-list it* until late July.

Not surprisingly, the understaffed and holiday-sapped Department had *not done* much except—extraordinarily—to inform Trafalgar House (whose subsidiary had just bought the site) that it was likely to be listed soon. The loss of the Firestone factory points the finger at the DoE, who have to go through a curious procedure with the Historic Buildings Council before they can approve listing buildings of such "modernity," and at *Hounslow* Borough Council. Needless to say, it points a very accusing finger at the developers.

Wallis, Gilbert's factory for Firestone, splendid as it was, made architectural *sense* because of its setting. Opposite the Pyrene building by the same practice (also empty, beware) and making a triumphal avenue with the other lesser buildings along the Great West Road, the gleaming white of the new materials (reinforced concrete, used better then than now), the pin-pricks of the decoration in bright "Odeon" colours, and the verdant setting were a vision of industry in a clean, electric world.

When the *Builder* published an account of the new factory in July, 1929, it devoted considerable attention to the speed of its design and building; incredibly, contract drawings were produced in three weeks and the time between the arrival of construction workers on site and the production of the first tyre was a staggering 18 weeks.

As the *Builder* put it, "preferential treatment" was accorded to the elevation. This was the public face of an advanced industrial complex, including a U-shaped production line, administrative block, medical centre, cafeteria and, throughout the place, *drinking fountains*. The white cement of the *facade*, its stone piers and faience detailing, were as bright and clean as conditions inside; it carried its message on its sleeve.

Now that the Firestone factory has gone (or as good as) the howling is loud. So it should be. But, unlike the battles of the defenders of Victorian architecture for the Euston Arch, the fight is being put up *after* the event. Vehemently shutting stable doors is not the way to conduct conservation battles; good buildings deserve advance, not rearguard action.

Citizens', Glasgow

The Battlefield

by B. A. YOUNG

The Citizens open their new season with another Goldoni adaptation by Robert David MacDonald. This is not so earnest as *Lo Villegiotura*, his last Goldoni transcription, but still it is not so frivolous as we have thought this writer to be until lately. Its subject is war, and the frivolity of war, and it is told through the medium of a love-story.

Faustino, a young ensign in a vague 18th-century European army where they dress as if playing Mozart, is in the force besieging a castle. How beautifully Philip Prowse has thought up this castle in his design! Its wall rises, sunlit white, its edgaa jagged from gunfire; a crack marks it halfway up; at its foot stands an altar used by the officers of the attacking army to store their wines on.

On a balcony, young officers in pretty white uniforms with wigs under their tricorne hats, are gambling, and further down, Faustino (who for some reason wears neither hat nor wig), talks with his beloved Florida, daughter of the defending general. She has been taken prisoner and is courteously entertained by the officers of the assaulting troops.

The moment arrives when her father, General Egidio, is invited to surrender, and it seems as if a happy ending is already in sight. But Egidio insists that he will only surrender if he is granted full military honours. This is in fact the play's centre of interest, rathar than the betrothal of Faustino and Florida, or for that matter of Ferdinando, Aspasia, the Count, Lisetta or any other peripheral pair. And how little things have changed! Uolchefit in the Abyssinian campaign in 1942, the Italian general refused to surrender to an East African brigade because they were black troops. So he would have been happy for fighting to have continued if there hadn't been a convenient company of the Argyll and Sutherlands nearby. Once he had been reassured that the Argylls were not black, he surrendered.

This is just how it happened in Goldoni's play. The fight goes on: the officers' lovely white uniforms get more and more bloody; then Egidio is allowed to march out with colours flying and drums beating and the betrothals go ahead, only with the officers less immaculate and a lot of the other ranks piled up dead in rough coffins. To say that the betrothal of Faustino and Florida marks a happy ending in such circumstances would be a *strange judgment* for the truth is that the plot and various sub-plots, like the fall of the dishonest quartermaster, are trivial stuff compared with the main theme.

How much wit there is in Goldoni's play we can only guess, as Mr. MacDonald is at his most eccentric, decorating his lines with Shakespearean phrases that may correspond with the Italian but are loaded with false relations for British audiences. "Cheerly, boy, cheerly," they say, and "Your exquisite reason!" and "A beast that wants discourse of reason." The appearance of the general *is greeted with most of Handel's* Coronation Anthem, "Zadok the Priest."

These private jokes aren't so effective as satirical moments like the delivery of the peace treaty by a messenger on the point of death, or such human miseries as the loss of one of Faustino's arms during the resumed fighting. Ciaran Hinds gives Faustino a routine look of romance, and Angela Chadfield makes Florida suitably haughty, but I found the two generals, Patrick Hannaway as Egidio and Steven Dartnell as his opponent Sigismondo, the most entertaining creatures in a rather roughly-finished production under Mr. MacDonald.

Albert Hall/Radio 3 & 4

Concertgebouw Orchestra

by MAX LOPPERT

At the first of its Promenade concerts, on Thursday, the Amsterdam orchestra under Bernard Haitink offered symphonies by Mozart and Bruckner. On this occasion, the order of precedence on the roll of honour demanded immediate reversal; for whereas the G minor, K.550, was (in spite of many fine, muscular, and sensitively shaped features) a performance of slightly blurred focus, the Concertgebouw's Bruckner Fifth revealed itself, once again, as one of the wonders of the musical world.

All leading orchestras play Bruckner these days, some of our own with great accomplishment. Yet the impact of the great Dutch orchestra in full Brucknerian swell was a shock as well as a tonic: for Bruckner is in its bones, and the difference between that and the well-studied, *well-proportioned* readings to which we are accustomed is acute. In the Albert Hall—a place, with its halo on the brass choirs and its afterglow colouring the mighty silences, supremely apt for this composer, nearly as natural in ordination as St. Florian itself—there seemed no perceptible difference between the notes and Thursday's realisation of them: in every noble curve, crag, and climax, the performance insisted that this was the way the music was destined to sound.

That has always been the appreciable goal of Haitink's Bruckner interpretations; but as, in recent years, his response to the outward manifestations of music has grown both more dramatic and more sensuous, it becomes a goal ever more *readily* within his *grasp*. In so utterly natural and effortless an *unfolding* of the movements, one could yet discern how subtly each tempo modification, each new pressure on a melodic phrase, had been discovered. The sound of such things as the pizzicato string passages of the outer movements or the steadily accruing full-orchestral radiance of the symphony's closing pages was beautiful in a way that both demanded and discouraged particular attention. The rounded, deep-toned balance of this orchestra implies selflessness as well as fine musicianship.

The later Bruckner symphonies, especially the final three, plumb darker depths, ascend grander and more precipitous spiritual heights, sing longer and more memorable melodies; under the pressure of this performance one could be forgiven for insisting that the B flat symphony is the most perfectly shaped, and the most exhilarating. This is by no means what it is always heard to be: the fourth movement, less expertly controlled in its flux of differently paced and directed episodes, can seem to ramble endlessly on its path towards final triumph. As with vast reach and assured aim conductor and orchestra drew together the many strains, the experience became like that of *Die Meistersinger* in similarly propitious circumstances: an affirmation of life.

*

Since his departure from the Soviet Union, Kiril Kondrashin has been installed as resident conductor of the Concertgebouw Orchestra; he led the second of its Proms, on Friday. The music-making was less elevated than Thursday's Bruckner Fifth had been; nevertheless, it was both instructive and enjoyable to discover the many ways in which the orchestra's innate gentle beauty of tone could be turned to the advantage of a programme in which such virtues might not immediately be reckoned of first importance. The Prokofiev Classical Symphony, even if one has heard it flash on with a quicker wit, developed here an *unfamiliar strain of poetic* sweetness, particularly where the music *prefigures Romeo and Juliet* (and this despite a touch of the martinet in the conductor's handling of the first movement).

Warmth of string tone graced a Bartok Third Piano Concerto otherwise somewhat prosaic—the Dutch soloist, Theo Bruins, boasted the proper fluency but little of the mitigating roundness of touch, and Bartok's piano writing was often made to sound like percussive clatter, a likely but not unavoidable danger. Kondrashin is not the most demonstrative of *conductors*. One of the happy features of the Rakhmaninov Third Symphony in this reading was its naturalness. The voluptuous melodic curves acquired no extrinsic expressivity; the sound was romantic without being synthetic, without suffering the Hollywood-style inflation conductors outside the Russian Rakhmaninov tradition tend to confer on the luscious scoring. Alas! Kondrashin had brought with him an altogether less salubrious Russian tradition: in all four of its plush but not wastefully ample movements the music was grievously cut.

M.L.

*

Rarely does an orchestral concert afford such unalloyed sensual pleasure as did the Concertgebouw's final Prom appearance on Saturday evening. And rarely can the legend of this orchestra's finesse, perfection of ensemble and glowing sound have been so abundantly confirmed—or Bernard Haitink's absolute mastery so unanswerably demonstrated—as in Saturday's performances of Ravel's *Mother Goose* ballet and Beethoven's C minor symphony.

An *orchestra famous* for its Brockner and which on Thursday (under Haitink) made his fifth symphony seem almost a natural inmate of the concert hall, had no evident trouble in adjusting to the conflicting demands of Ravel's score. A more refined, delicately pulsing tissue of sound, homogeneous yet contoured, warm yet remote, and magically enticing, could not have been asked for. Solo playing from violin, harp, celesta and — crucial to the *Beauty and the Beast* episode —contrabassoon was unfailingly stylish. Haitink maintained a discreet rubato with instinctive aplomb; but the music's static, perfumed quality — Ravel's evocation of miniature worlds—had been well understood.

The programme included the British première of Hendrik Andriessen's fourth symphony—written in 1954 by the Dutch composer who is now 88 and at home very senior. It is a three-movement work comparable in formal outline, as the programme note observed, to César Franck's symphony. Unfortunately—Ricardo Chailly's profound interpretation of the Franck symphony at an earlier Prom still echoing in the mind—that invocation quickly rebounded on Andriessen. In content his symphony does not come within a thousand miles of Franck's; the shared device of transforming a motto (and other) themes throughout its course is vitiated when the melodic material is so exceedingly unmemorable in the first place. The inspiration had none of Franck's passion and little sincerity indeed; we were offered a depressingly familiar variety of dour rhetoric (not unfairly to be dubbed second-rate Shostakovich): slick when it would be incisive, maudlin when it would be intense. "*Senior*" music to be certain; though an elderly lady on my left fell symbolically asleep during the *Andante sostenuto*.

Its impression was effaced by a reading of Beethoven's Fifth that, unusually, reconciled graceful, beguiling, detailed realisation of texture with a formal sense and gestural insistency nevertheless potent. Much was revealed, both in the notes and about their meaning, for the first time. One was pleased to accept that terrific might need not be brash and aggressive but compatible with, for example, an almost evanescent poise in the pianissimo reprise of the scherzo. The contrast of lilting melody and martial vigour in the *Andante* was tempered beautifully. Haitink's pacing (apart from his other gifts) comes to infallibility—the equivalent of a singer's perfect pitch. This Beethoven was an unforgettable experience.

PAUL DRIVER

Wigmore Hall

Jessye Norman

by ANDREW CLEMENTS

The redevelopment of the Wigmore Hall as a genuine *alternative* to the South Bank concert halls continues apace. Air conditioning is promised soon and, as if to emphasise the improving quality of the concerts, the new season was opened on Saturday evening by the most glorious of song recitals: Jessye Norman was accompanied by Geoffrey Parsons in a programme of Wolf and Ravel.

No singer communicates greater delight in her art than Miss Norman. If it is possible, her platform manner now seems warmer and more commanding than when I heard her last. The confidence, too, is complete; confidence to begin a recital with Wolf's "An eine Aeolsharfe," the poise in its unaccompanied opening quite nerveless, the tone at once entirely even. A single constricted climax in "Nimmersatte Liebe" was the only evidence that even such a superbly natural voice takes a little time to warm to an unfamiliar hall. Thereafter everything was precisely focused.

Five Mörike settings were followed by a group of seven from the *Italian Songbook*. One expects Miss Norman to endow the slower songs with the richest, most sustained of phrases, but perhaps the immediate characterisation of "Mein Liebster hat zu Tische," was less expected. The experiences of opera have been well absorbed.

The first of Ravel's *Chansons madécasses* gave for the only time in the evening the hint of an interpretation not yet settled. The opening verse is still to find its perfect pace, the quickening at the first entry of the piano needs yet more intensity. No complaints in the other two songs, however—the imprecations of "Aoua!" chilling and magnificent — and three of Ravel's arrangements of Hebrew folksongs brought memories of the spirituals with which Miss Norman has *often ended her* recitals. In fact a spiritual followed as the first of two encores; the second, Satie's "*Je te Veux*" was a most delicious ending, that seemed to enchant Mr. Parsons as much as it did the audience.

CRICKET BY TREVOR BAILEY

Centenary Test is out for a duck

THE SATURDAY of the Centenary Test ought to have been a major highlight in this special match celebrating 100 years of Anglo-Australian Test Cricket. The event included a parade before the capacity crowd by more than 20 former captains. However, it turned out to be an absolute disaster for the unfortunate spectators and the game itself.

Here was a classic example of how inflexibility and a lack of communication can produce ugly scenes even in the pavilion at Lords while the final stages of this sad occasion were close to pure farce.

In spite of the rain of the previous day it would have been possible to start on time if there had not been a heavy downpour early on Saturday morning. This left the outfield moist. In addition, a small area of previous pitches, which had not been covered, presumably because there were insufficient plastic sheets, was sodden.

In these circumstances a delay was both inevitable and acceptable. What baffled and infuriated the crowd was that after hours of sunshine nothing occurred except inspections by the two umpires. Their unsatisfactory findings were eventually communicated to those present.

Messrs. Bird and Constant brought both captains with them in their last inspection. After pressure from the authorities, who appreciated the dissatisfaction of all present, they eventually decided to play at 3.45.

At a conservative estimate this was at least two hours too late, especially as the protracted delay was mainly due to a small stretch of wet former wickets, which were eventually coated with sawdust.

Nobody can doubt that Bird and Constant are good, sincere and conscientious umpires. The point at issue was their interpretation of what was fit to play, as distinct from what was actually playable.

On this occasion I felt that both officials were too fastidious, especially as this was not just a test but also a special cricket occasion. There can be no doubt it would have been feasible to start after an early lunch.

It is noticeable these days that most umpires, in their efforts to be fair to players, are inclined to forget the spectators. In this connection I note that the captains of Kent and Worcester overruled the umpires on Saturday so that their match commenced before the two officials considered the ground to be fit.

One must have every sympathy with umpires. Captains, except before the start of a game, usually agree to disagree and are also responsible for submitting those umpire reports on which their livelihood depends. Players as a race are and always have been good at producing reasons why play should not take place.

The jostling and verbal abuse hurled at the two umpires and captains when they returned to the pavilion before the match started was regrettable. It was also understandable. As Keith Miller remarked to me, "If this had happened in Australia they would have burned down the pavilion." Many former test cricketers could not understand what was, or, rather, was not, happening.

In the 90 minutes between 3.45 pm and tea Australia took their score to 385 with style and aggression. Hughes completed an admirable century and Border a delightful 50 against some unimpressive bowling and peculiar fields.

In a desperate effort to bring purpose to a show-piece match which was drifting towards a dull draw as a result of the weather and the inflexibility of the umpires, the administrators, without too much thought, agreed to add two more hours to the game.

This included both captains agreeing to continue until 8 pm on that ill-fated Saturday, which, as headlights are usually switched on at 7.30 pm, was somewhat optimistic.

The Australians declared in the interval but after only two balls the umpires came off for bad light. Because this was followed by a slight drizzle most of the disillusioned and disenchanted crowd drifted home. However, it was not the end of the drama, for much later the light improved, the sun and the umpires came out, the covers were removed and some damp patches were dried.

Eventually everything was ready for a restart, which neither Boycott nor Gooch would have relished. However, by the time all these events had been completed it was, inevitably, again too dark. As an exercise in how to stop people coming to watch cricket it could scarcely have been bettered.

TENNIS JOHN BARRETT

Seeds survive in heatwave Open

DESPITE a week of sweltering New York humidity, with temperatures in the nineties, the 1980 U.S. Open is heading for record attendances, and some intriguing confrontations on court that will have a strong bearing on the year's world rankings.

Buster Mottram survives in the last 16 of the men's singles but Virginia Wade has failed to reach that stage.

After 10 of the 23 day and night sessions, 123,813 paying spectators have visited the U.S. Tennis Centre at Flushing Meadow Park—13,851 more than at the same stage last year—and the record total attendance figure of 305,311 achieved last year seems certain to be broken.

There were 11,487 in the stadium on Saturday night to watch the top seed Bjorn Borg complete his obligatory floodlight match against Australia's Peter McNamara, the new Wimbledon doubles champion.

Borg started tentatively against McNamara who clearly believed the best way to beat the world's number one was to hit hard and hope that Borg's known difficulty with his timing under lights would embarrass him.

For a couple of sets it did. In the first the Australian led 4—1 and, after losing his advantage, had two points to break serve for a 5—3 lead before being taken to a tie-break which Borg won convincingly, seven points to two.

McNamara's all-or-nothing hitting produced some spectacular winners in the second set, which he won 6—1 with three successive breaks of service. But Borg's answer was to raise the tempo and deny McNamara the time to make his winners. Forcing more from the net than usual, the favourite won 12 of the next 14 games, to win 7?6, 1—6, 6—2, 6—0 in a minute less than two hours.

Borg will be delighted to have survived his ordeal under lights and will be pleased too, that his leg is giving no trouble for there is serious busines ahead this week. Yannick Noah, the young French giant, is his next opponent and then in the quarter-finals Tanner again, provided the 11th seen can overcome the tall Californian Brian Teacher who on Saturday beat Vijay Amritraj (India)—the man who had earlier eliminated the number eight seed Eddie Dibbs (U.S.).

Mottram's 7—6, 4—6, 6—4, 3—6, 6—4 against Hank Pfister, the 23rd ranking American, was a mettlesome victory.

This Saturday match was played on noisy Court Three, under the towering stands of the stadium where along the walkways and staircases spectators pass continually in their distracting hundreds.

Despite the distractions the level of play was high with Mottram's reliable service returns a decisive factor. The vital service break came in the opening game of the final set when Pfister delivered the sixth of seven double faults he delivered during the match.

The American began to look tired during the last few games—due partly, no doubt, to his long, winning encounter against the number five seed Vitas Gerulaitis on Thursday night. That had ended at 7—6 in the fifth set.

This is certainly Mottram's best performance in a major championship, and he could progress further, for the seed in this quarter, Peter Fleming (9th), was eliminated by South Africa's speedy Johan Kriek, whose match against the promising Tony Giammalva was held over until yesterday. The American had spent a day in hospital following a reaction to an antibiotic he had taken.

Miss Wade's exit 4—6, 6—2, 6—0 to the Romanian number two Lucia Romanov, 21, was a disappointing but not altogether unexpected disaster. In her previous matches against opponents who, like Miss Romanov, play right-handed forehands and with two hands on the backhand, Miss Wade had lost sets.

When she won the opener yesterday, with a show that suggested she was determined to fulfil her number 12 seeding position, there was hope that she had cast off the uncertainty of her previous matches. But all the old frailty, particularly on the forehand, returned and she could claim only two more games against an opponent who ranks about number 30 in the world.

Tracey Austin, the defending champion, had to work hard for her 6—4, 6—4 win against the left-handed West German number one Sylvia Hanika. In the opening set, Miss Hanika, hitting with heavy topspin, led 4—1 and had a point for a 5—1 lead. But once she changed her tactics and attempted to volley, she was passed repeatedly and sank inevitably to a 6—4, 6—4 defeat.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday September 1 1980

A small step backwards

LIKE THE VICTORIAN housemaid who sought to excuse the unexpected appearance of a baby with the plea that it was only a very small one, President Carter can plead modesty in defence of his proposed tax cuts. The total $27bn relaxation is not only smaller by a third than the programme already proposed by the Senate Finance Committee as an odd addendum to a Bill permitting a Washington church to purchase six new bells. More important, it is far more modest than the implied size of the "sweeping" cuts Mr. Reagan has proposed. Mr. Carter is still therefore campaigning as a fiscal conservative, against the radical Right-wing Republicans, but as a conservative prepared to act on his concern about industrial disruption and low productivity.

If his proposals win popular approval between now and November, it will probably be, ironically enough, because they are the wrong thing to do. While the President and his advisers were debating the details of his proposals, the evidence that the US recession is likely to turn of its own accord continued to accumulate. The spectacular rise in the Index of Leading Indicators at the end of last week was only the final confirmation of a whole series of pointers—a rise in vacancies and a sharp slow-down in lay-offs, a recovery in consumer confidence and a level of appropriations for investment spending which, although well down from the astonishing first quarter, still promises a healthy rise for the year. It is now those who believe that the recession will persist obstinately who must look for evidence. The indicators suggest a modest but definite recovery in time for the election.

Wrong direction

In these circumstances, a set of proposals which would significantly enlarge the fiscal deficit for 1981 is clearly a step in the wrong direction. The fact that interest rates in New York have now begun to rise at the apparent bottom of a sharp recession shows how little room there is for the financing of Government borrowing and a still forbidding rate of inflation with the Federal Reserve monetary targets. The evident danger for the U.S. economy is not that it will drift into slump for want of deficit spending, but that any strong recovery will strangle itself in a noose of high interest rates. Any U.S. corporation with a British subsidiary could provide a horrid cautionary tale about the potential results. This fear is certainly at large in Wall Street, where a politically unfriendly audience has denounced the President's proposals as both "piddling" and dangerous.

Fiscal context

This seems a good deal less than fair. The proposals themselves are perhaps mundane, but the detail appears well-considered. The bias towards investment allowances rather than personal taxation is useful, and shows some political courage. The much criticised proposals to pay what amount to investment grants to companies with no taxable profits could provide useful assistance both to urgently needed re-equipment and to new enterprises.

Above all, the proposals should be seen in fiscal context. The new OECD report on the U.S. economy last week estimated that the new level of social security payments, coupled with fiscal drag, would provide such a sharp tightening of the fiscal stance that even a $15bn tax-cut would leave a deflation equivalent to 2 per cent of GDP. The new stance is still significantly deflationary — unless, as one or two Wall Street critics suggest, there is an unusual amount of wishful thinking in the most recent projections of the deficit. A provisional judgment, then, suggests that although the U.S. economy would probably perform better without this "stimulus," it is not nearly as bad as might have been feared from an embattled President in an election year.

Explosive mix in the Horn

WHETHER OR not an Ethiopian military incursion on to Somali territory took place last Wednesday, the claims and counter-claims emphasise how explosive the Horn of Africa has once more become. Its strategic importance has grown too. Only last week the U.S. finally reached agreement with Somalia to make use of the fine harbour and airfield built by the Russians at Berbera on the Gulf of Aden.

The U.S. sees Berbera as an important link in the chain of military facilities it is building on and around the Arabian peninsula. It is developing them in Egypt, Kenya, Oman and on the British Indian Ocean island of Diego Garcia, to enable it to move forces into the area in response to any Soviet challenge to the oilfields of the Gulf or the tanker routes to the west and Japan.

Facilities

The acquisition of this network was a reaction to the strategic gains the Soviet Union made at the expense of the U.S. by its invasion of Afghanistan and the fall of the Shah of Iran. The Soviet Union's reach has been extended and it already has the former British base of Aden across the sea from Berbera and naval facilities on the Ethiopian-owned Dahlak Islands at the southern end of the Red Sea.

But it was only at the last minute that the U.S. government overcame its deep doubts about Somalia. Being one of the few ethnically homogenous countries in Africa Somalia refuses to accept what it regards as the colonisation by Ethiopia of the many Somalis living in the Ogaden region of south-east Ethiopia. This inspired a full-scale war between the two countries in 1977-78, when Somali regular forces assisted guerrilla groups and seized the whole of the Ogaden. But they were driven out when the Soviet Union poured in arms and Cuban troops to help Ethiopia.

At that time the U.S. and western countries refused to help Somalia, even though it ejected the Russians from the military facilities it enjoyed when Moscow switched to supporting Ethiopia. Somalia was clearly the aggressor and was apparently acting in defiance of the Organisation of African Unity's charter which holds that borders inherited at independence are inviolate, however anomalous or unfair they may seem.

Only the Soviet invasion of Afghanistan made the U.S. change its stance, but it has still tried to avoid being drawn into Somalia's territorial disputes. The U.S. has now reached an agreement for its use of Somali military facilities in return for a relatively modest amount of military and economic aid, an "unwritten understanding" that American weapons will not be used in conflict with Ethiopia and assurances that Somalia will not send troops against Ethiopia.

The U.S. is taking enormous risks. For two months this summer a substantial force of Somali regular troops was fighting Ethiopian forces well within the Ogaden. They were apparently defeated and forced to withdraw, though it is reported that some regular troops are still there. Ethiopia has warned that it is running out of patience and has occasionally bombed Somali towns and strategic targets along the border. Its case over the Ogaden has just received the endorsement of a special OAU committee.

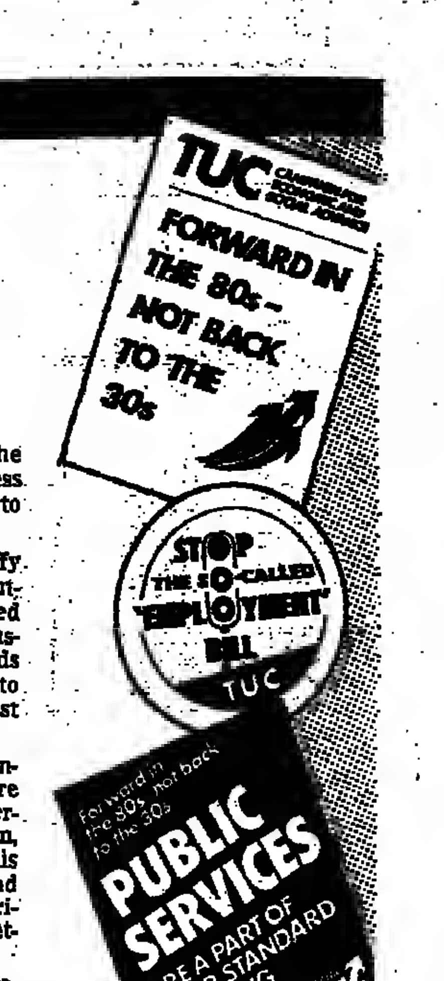
Outgunned

The danger is that Ethiopia will be tempted to teach Somalia a final lesson by invading it. Somali forces would be badly outgunned and the U.S. would be under strong pressure from Somalia's allies, notably Saudi Arabia, to come to its assistance, even though its agreement with Somalia puts it under no obligation to do so.

The U.S. must be hoping that any transgression of Somali territory by Ethiopia would severely weaken its legal and moral case, and that Moscow will restrain its ally. Ethiopia has yet to defeat the guerrillas fighting for the independence of Eritrea, its northern province on the Red Sea, which still repeatedly humiliate the Ethiopians and their Russian advisers. Without a peaceful Eritrea the strategic value of Ethiopia's Red Sea coastline to the Soviet Union is small.

But if both superpowers have their problems in the Horn of Africa the Russians have backed the more populous and potentially more powerful state. The Carter administration may wish it had not picked the quarrel with Ethiopia that led to the eviction of its military advisers there in 1977.

The TUC Conference



Faltering under fire

BY CHRISTIAN TYLER, LABOUR EDITOR IN BRIGHTON

THE Trades Union Congress is in a political recession from which it does not know clearly how to escape.

The largest democratic institution outside Parliament, to which some 12m working people subscribe, has been rendered virtually impotent by a self-confident Conservative Prime Minister determined to test trade union power against free market forces operating in a depressed economy.

This week trade union leaders and shop-floor activists will be calling for the Prime Minister's head. The 112th congress, opening in Brighton today, will be unanimous in its condemnation of her social, economic and industrial relations policies.

But, while the 1,200 delegates will agree on an alternative economic strategy, they cannot be confident that they have the power even to dilute the Government's harsh economic prescription.

And, if the TUC is certain of its own policies it is far from certain of its own leadership. The Labour Party is publicly divided so that, by comparison the TUC will appear a model of unity. But both are suffering from a lack of strong direction at the top.

Out of tune

Ministers, sensing this, may feel they have exorcised the ghost of 1974, when public opinion impaled the Heath government on the bayonets of tha miners. They may even derive some quiet satisfaction from the present anguish of trade union leaders who, they believe, are out of tune with public opinion, and far out of touch with the politically apathetic majority of their members.

But some ministers, at least, must now be aware of the risks they are running. The speed and severity of the recessioo has put a powerful weapon back into the bands of the TUC, even as it sharply reduces the membership of some of its constituent unions.

At the same time, the TUC's political isolation bas forced its leaders to set in train an internal review of its constitution and purpose which could produce an organisation with more power and authority than has ever been tolerated at the centre by Britain's independent-minded unioos.

Shortly after this Congress, Mrs. Thatcher, the Prime Minister, will probably meet the TUC General Council, at their request, to hear their protest about the rate of unemployment. That meeting could break up in disarray and mutual recrimination. Or it could define—for the first time since this Government took office—what the relationship between the two is to be.

The unions and the Government have stayed in contact even if the substance of their discussions has been thin. Union leaders cootinue to assert their interest in issues as diverse as forestry policy and the public sector borrowing requirement. In some cases, they believe, they have managed to advance their case a fraction—on protection for the motor industry, for example, or on the cost of energy to British industry. The six trade union members of the National Economic Development Council appear to value that forum as a way of meeting and hearing individual ministers, if nothing else, and as a way of encouraging the Confederation of British Industry to find areas of agreement.

They claim to have helped persuade Sir Keith Joseph, the Industry Secretary, to relax his non-interventionist line, at least as far as new enterprises are concerned.

Where they have not succeeded with the Government, of course, is in averting the new laws on the closed shop, picketing and other sympathetic industrial action contained in the Employment Act.

Yet despite all its reverses, the TUC cootinuea to declare its party political neutrality, a constitutional neutrality which it is bound to preserve, especially since only half of its 12m members pay political dues to the Labour Party. There is, therefore—in theory—no reasoo why Mrs. Thatcher should not succeed where Mr. Heath failed and establish a consensus with the TUC about the broad lines of public policy.

In fact, no such consensus is in prospect. Sir Geoffrey Howe's lectures to the TUC on wage restraiot have gone down badly and the terms upon which the TUC is prepared to discuss wages with the Chancellor are clearly too severe for this Government to contemplate this side of a full scale political crisis.

There are many unions that would not in any case do a deal with the Government at any price—a sentiment that will be heard often enough in the coming week. But the real divide is between Mrs. Thatcher's own perception of trade unions as over-mighty agents for wage bargaining and the TUC's view of itself as part of the social system with a legitimate interest in defining the limits of Government action.

The debate this week on incomes policy will therefore matter almost exclusively to the Labour Party. The question before the Congress is whether the next Labour Government should be offered a refined version of the social contract bargain—refined in the sense that crude wage restraint would be abandoned in favour of a system that supported living standards (though not at the expense of jobs) while redistributing total income more equitably.

As far as the Conservatives are concerned, for now, the TUC is concentrating on a propaganda campaign designed to convince public opinion, including millions of trade unionists who voted Conservative, that the Government is a disaster for the country.

The Day of Action on May 14 taught the TUC leadership that it had a long way to go in this struggle. The demonstration is now generally regarded as having been hopelessly premature even though it was better supported than some accounts suggested. As a consequence, those unioo leaders most affected by the recession—who would like to see a much fiercer campaign—now recognise that they are not going to get one.

The TUC would be most unlikely, for example, to mobilise now in defence of the Bowater papermakers or the Consett steelworkers. That does not mean that a catastrophic closure within the next six months will not start a revolt in some sections of the labour movement that the TUC would be obliged to support and then lead.

For now what seems to concern the activists much more is what they see as a lack of political sophistication at the top.

As one put it, some senior members of the TUC General Council "behave like sixth formers in a brothel." This is not, it should be said, an indictment of Mr. Len Murray. His general secretaryship is highly regarded from within and his perceptions of the role of modern trade unionism command wide respect. But Mr. Murray is short of support precisely at the moment when the TUC needs it most. His job has been to present the most united front that he can to the outside world, papering over the cracks that are appearing as rival interests on the General Council exploit the political vacuum.

This week's Congress will illustrate again the essential weakness of a system in which ambiguous composite motions are cobbled together to satisfy quite contradictory viewpoints.

This vacuum has been exploited most obviously by the new Right-wing alliance of the Amalgamated Union of Engineering Workers and the Electrical and Plumbing Trades Union even as the General Council as a whole appears to be moving towards the Left in reaction to its loss of recognition and clout at Ministerial level.

On no fewer than three issues, the AUEW, led by Sir John Boyd and Mr. Terry Duffy, and the Electricians, led by Mr. Frank Chapple, have embarrassed or challenged the General Council—on Poland, on the Isle of Grain dispute and on State aid for secret ballots. The leader of the moderate camp, Mr. David Basnett, chairman of the Economic Committee, bas been at the receiving end in all three cases.

First, it was Mr. Basnett who successfully moved at the General Council some months ago that unions should refuse Government hand-outs for ballots. The AUEW and EPTU voted against him.

Second, Mr. Basnett's union, the General and Municipal Workers, is also at the centre of the inter-union row over lagging work at the Isle of Grain power station in Kent. His union won the argument but the AUEW and EPTU voted against him and face expulsion from the TUC—but not at this Congress —if they continue to refuse to accept the TUC's verdict.

And, third, it was Mr. Duffy and Mr. Chapple who most outspokenly criticised the proposed visit to Poland, which Mr. Basnett is to lead, on the grounds that the TUC was playing into the hands of the Communist authorities.

Some of the more junior members of the General Council are dismayed by the amount of personal provocation that goes on, especially when Mr. Chapple is taunting the Communists, and by the poor quality of contributions at the monthly meetings.

For this reason, the retirement this year of Mr. Harry Urwin of the Transport and General Workers, whose wisdom is universally admired, is aeen as a serious loss to the General Council. Mr. Joe Gormley of the Mineworkers, is also leaving the General Council this year. His absence will not be noticed so much. But his place will probably be taken by Mr. Arthur Scargill, the militant Yorkshire miner's leader. His election will inject some interesting new life into the Council's proceedings.

There is not much that the TUC can do about the present weakness of its General Council, short of the kind of wholesale reform of its electoral system that has been unsuccessfully proposed twice already. Even that might bave little effect apart from removing some of the more colourful Left-wingers who now sit on it.

But there is a more fundamental review under way which could give the TUC an authority it bas never enjoyed before and transform the General Council from a talking shop into a real centre of power.

Range of sanctions

All the unions are being asked, in effect, whether they will delegate some of their authority to the centre in order to strengthen the TUC's hand as bargaining agent with government on the wider policy issues. They are also being asked whether they will give a greater representational role to the TUC's industrial committees, bodies that at present serve, often as not, to magnify, rather than reconcile, conflicts between unions in the same indnstrial sector.

Even more importantly, there will be proposals to introduce a range of sanctions—short of expulsion—that the TUC can wield against individual unions who refuse to accept its verdicts. If such intermediate sanctions—fines, for example—were available, the TUC might be able to solve quickly some of the embarrassing inter-union disputes that crop up. They could be used, for instance, to ensure that no trade union accepted the state ballot money.

Reforms of this importance cannot be introduced without the consent of the unions and of their members on the shop floor, because it is there, where the power of trade nnionism ultimately resides and the TUC commands little attention on the shop floors of Britain at present.

The quid pro quo for strengthening the central apparatus could well be fully to legitimise the role of shop stewarda and to devolve power on the multi-union shop stewards' combines that are growing up in many of the bigger British companies. The first pooling of ideas will occur later this year for a review that is not due to be completed for at least a year.


LEN MURRAY: the difficult task of papering over the cracks that are appearing as rival interests on the General Council exploit the political vacuum.

There can be little doubt that the harsh economics of the present Government and the impotence of the TUC in the policy debate, will colour the arguments for internal reform. Already union leaders are calling on one another for mutual support in the knowledge that few of them are strong enough to fight alone, whether it be against job losses or against the Employment Act.

The 112th Congress will undoubtedly expose some of the divisions and weaknesses of the TUC. But it could also signal the rearmament of an institution which, once having tasted power, is determined one day to exercise it again.

MEN AND MATTERS

Ford shines in Polish debate

Rather late in the day, former U.S. president Gerald Ford is still struggling gamely to pick up the pieces of the clanger which he so spectacularly dropped during his 1976 electoral campaign. In a televised debate with challenger Jimmy Carter which left Ford advisers variously red- and white-faced, the incumbent president had claimed that neither Yugoslavs, Romanians nor Poles considered themselves dominated by the Soviet Union.

The recent Polish workers' struggle provided Ford with his opportunity to put the record straight during a weekend symposium in Tokyo to mark the twentieth anniversary of the U.S.-Japan Mutual Security Treaty.

"If I had been correctly interpreted," Ford said, "what I was trying to say was, sure, the Russians had military control, but they didn't dominate the Polish spirit. I think what's happening in Poland today certainly shows that to be true." So now we know.

Trouble up Mill

Manchester Industrialist Stepheo Boler's second bid to acquire the outstanding share capital of Wharf Mill Furnishers, the company of which he is chairman and majority shareholder, will be made in less happy circumstances than the first. When Boler picked up a 64 per cent stake in the company from merchant bank Arbuthnot Latham last September, he was bound by the takeover code to bid for the rest, which he duly did—at 27p, the price he paid for his stake. The news that Boler, with an impressive track record in the motor industry where be built up Armitage Tyre Services and subsequently Kwik-Fit, was to run the group blew the shares up to a euphoric 59p. Unsurprisingly, his offer won not a single acceptance.

"Most of them were from our accountants, I believe"

The second bid, signalled by Boler on Friday with the shares suspended at 33p, comes after continuing losses and write-downs have eaten an embarrassingly large hole into the £533,000 of net worth on the company's books at its March 1979 year-end. The 1979 accounts showed a pre-tax loss of £162,000, following a 1978 loss of £79,000, with 1980 accounts to be published shortly.

Hard-luck stories, like the effect of harsh weather on Wharf's Pennine shops, have overlaid continuing re-jigging which haa failed to provide a recipe for deceot profits. His few months at the helm have convinced Boler that nothing short of a major re-vamp towards the economies of larger-scale trading will rescue Wharf, and luckily be just bappens to have a couple of suitable businesses up his capacious sleeves.

The first is the retailing side of Kitchen Queen, which he bought for £3.8m in May when the beleaguered group threw ballast overboard as profitability zoomed earthwards. The second is a chain of northern retail outlets, Great Clowes, which he snapped up from GUS.

Boler confesses that he "bad fair notice" of Wharf's problems when he moved in last year. But nonetheless, he tells me that "things were somewhat worse than I anticipated." And so began the process of battening down the hatches for a journey into uncharted waters. The old pilots have been set down, and now passengers not prepared to sail are being asked to disembark.

There is, says Boler, little point in leaving Wharf public. That status is, he argues, useful to companies only with a substantial asset base. "We can't do things like rights issues, and there is no general benefit for outside shareholders," he says.

Shareholders will have ample time to contemplate whether to take Boler's offer, or hang on for the ride. For, with the announcement and suspension out of the way, Boler plans a holiday before getting down to the fine print. It may be quite some time, I fear, before he is free to take another one.

Old Bill

"What is the Salvation Army doing in Slater Walker, shirt-making, and private companies?" queried an imperious correspondent after reading my account of the recent activities of ex-SW director Ian Wasserman. I am happy to set the record straight by saying that Wasserman's calleague in SW days, now at Hilditch and Key, is of course Michael, not William, Booth.

Witness box

The pedagogic fervour of Auntie knows no bounds. Not content with straight education programmes, documentaries, "factioo" and imaginative reconstructions of political events, she has now devised a new genre which can best be described as education by stealth.

BBC 2 audiences are to be regaled with a new series entitled Wainright's Law. An everyday story of litigation-prone folk, the series involves a middle-class family in a plethora of legal problems, ranging from divorce and a disputed will to road accidents, redundancy, picketing, shoplifting, adoption and the "sus" law.

Starring the incomparable Joan Greenwood as a hatty granny and Lyndon Brook as the family's solicitor the programme's message, hardly likely to endear it to lawyers, is: when in doubt, don't litigate, because going to law is expensive, may not give the expected result, and will probably benefit no-one but the lawyers. The lesson learned by the hapless Wainrights is that it is better to go to the Citizens' Advica Bureau.

Fuel marks

Scouring the land for technological bandages to staunch the flow of precious hydrocarbons from the nation's petrol tanks, the U.S. Environmental Protection Agency has just concluded a minute examination of more than 40 gadgets claimed to reduce motor car fuel consumption.

They included petrol and oil additives, devices designed to add more air or water to the fuel mix, and thingummies said to improve the performance of the carburettor.

Only one made the grade and won the governmental seal of approval for providing a "statistically significant" improvement in a car's mileage per gallon. Dubbed the Pass Master, and yours for $15, it cuts petrol consumption by 4 per cent by switching off the air conditioning while the car is accelerating.

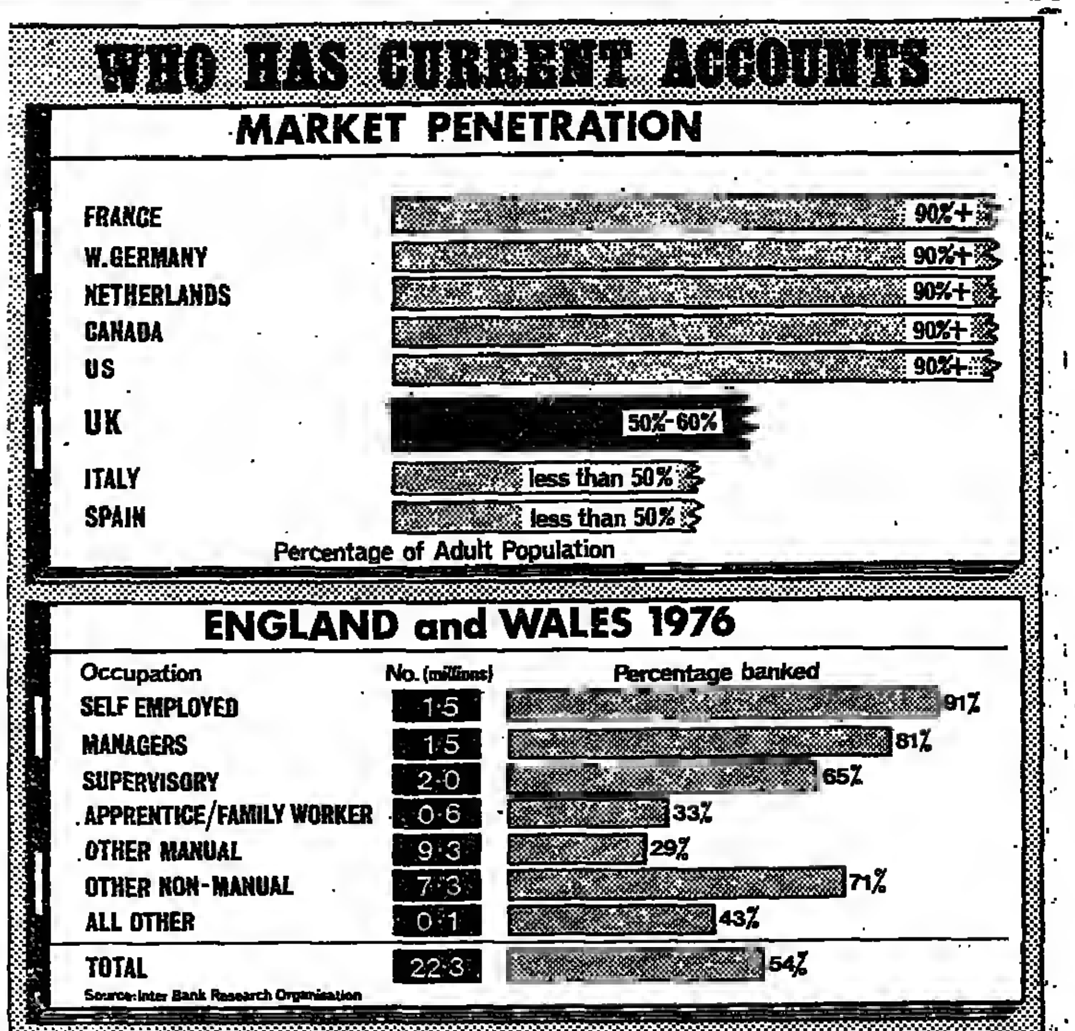
Idle chat

Overheard in a Whitehall office: "I've been watching that chap in the building opposite for over 30 minutes, and he hasn't done a stroke of work."

Observer

FINANCIAL TIMES SURVEY
Monday September 1 1980

UK Banking



The existence of a great many UK citizens who do not use a bank is likely to prove one mainspring for developments in the banking industry during this decade. Other opportunities are expected to present themselves in the field of corporate finance and in the application of electronics technology.

Fresh vistas for this decade

By Michael Lafferty
Banking Correspondent

UK BANKS are at the beginning of a decade which seems certain to bring major changes in their domestic market place. Nowhere are these changes likely to be greater than in the area of retail banking, where greater competition and extensive use of plastic card technology may well revolutionise a business which has changed little since the war.

In the area of corporate banking, the country's main commercial banks—the clearers—may find themselves forced to adapt to a situation in which industry's dependence on banks could be drastically reduced, should the debenture market open up. Payment of corporation tax should also become a reality for the banks, as the demand for leasing finance tails off.

As the decade goes by, the chances are that the clearers will recognise more and more that they are dealing with three different customer groups—large companies, small companies, and *individuals. Each* of these has distinctly different needs, with the result that the old idea of the general-purpose branch should go by the board. The implications for existing bank staff and recruitment are therefore considerable.

One former clearing banker who is now a senior executive with one of the new-style retail banks said recently that of the three customer audiences the average branch manager and his staff are over-qualified to deal with the retail customer. He reckoned they were underqualified for the large corporate business, and probably just about geared to handle the requirements of small businesses.

The statement has an element of exaggeration but seems basically sound. Few senior UK clearing bankers starting from scratch, would design an ideal banking organisation in the way these institutions have evolved. It is in recognition of this reality that Midland Bank, for example, has embarked upon a truly massive reorganisation of its domestic banking business.

Developments in the retail banking field over the eighties will need to be seen against an increasing determination on the part of the clearers to penetrate the UK's unusually large unbanked population. To a large extent what has come to be known as the Great British Unbanked consists of the nation's weekly paid workers. So far the borrowing needs of this very important sector of society have been met by finance houses, many *owned by the* clearers, credit sale facilities, and money-lenders of varying degrees of respectability.

For the most part, however, Britain's weekly wage earners appear to exist in a cash economy. For them the average clearing bank branch at present has little relevance. Typically the bank staff come from a socio-economic group slightly higher up the scale, while bank opening hours in any case very often make it impossible for people to gain access outside factory working hours.

In any case the clearers' virtually uniform services, centred around the current account and a cheque book which is useless without a cheque guarantee card, do not fit in with a weekly budget.

The clearers know they are going to have to change their image and their services if they are to attract the unbanked. In one of the first manifestations of this Midland Bank recently became the first of the clearers to run a Press and TV advertising campaign aimed specifically at weekly wage earners. So far, however, the bank has not come up with any immediate new facilities to attract this new audience. Branch opening times remain the same, and the current account remains the only way people can gain access to the money transmission system.

The clearers are taking an interest in the unbanked weekly wage earning public at the same *time as they* are launching a challenge against the country's building societies, which have traditionally been the main *providers of home loans* in the UK. Their attack is coming on the two aspects of the societies' business. Banks have recently launched a series of savings accounts which are designed to compete with those on offer by the building societies. At the same time most of the clearers have launched their own mortgage schemes.

The building societies are at present more worried about the attraction of the clearers' savings accounts than their entry into the mortgage market. So far the societies have shown no noticeable response, but the chances are that in the decade ahead they will be forced to become more wide-ranging participants in the U.K. retail banking market. It would not be difficult for the building society movement to set up its own money transmission system (alternatively, it could seek access to that of the clearer's) and then to offer cheque and *plastic card facilities similar to* —or more imaginative than— those already on offer from the clearers.

Involvement of the building societies in the retail market in this way would be good news for bank customers. It would provide a substantial measure of competition for the clearers in a market which has often seemed all to cosy up to now.

The *1980s will* also see the TSBs participating in the retail banking field on a considerable scale. Within a matter of a few years these related institutions have been converted from vehicles of Government funding to an increasingly integrated national bank offering a wide range of services. The plan to purchase UDT's main HP busines should bring the TSBs a *considerable* measure of market skill as well as on-going business.

The decade should also see considerable expansion of foreign—mainly U.S.—bank involvement in the UK retail market. But by the turn of the *next decade it is doubtful* whether any of these new banks will be of a size comparable to the main clearers, unless *foreign* takeovers of British banks and a disentangling of the shareholding structures which bind the Scottish clearers and Yorksire Bank to the Big Four are permitted.

At this stage, therefore, all the indications are that it will be the TSBs and the building societies which stand to make life most difficult for the clearers.

What about National Giro and the Co-op? At present neither of these institutions is a serious competitor for the Big Four. In the case of Giro there are, so far, few indications that it can become the natural home for the unbanked. It suffers from having to operate through usually drab post offices, and generally lacks customer interface. Given the necessary commitment, however, few retail bankers would say it could not put things right.

The decade ahead should also see the clearers offering to pay interest on current account balances. There must be a limit to how long bank customers will go on giving away money to the banks for no apparent benefit. This will help to smooth out clearing bank profits in a way which has nothing to do with accounting entries, and thereby remove the political embarrassment of the clearers having to report domestic profit increases of between 70 and 90 per cent, as happened at the end of 1979.

On the corporate side the clearers will come under increasing pressure from corporate customers to improve the calibre of their staff. They will need to put up more people with ability equalling that of the finance directors, chief accountants, treasurers and solicitors on the customer side. This must imply a gradual erosion of the old—but still dominant notion—that a clearing banker employed at the age of 17 and trained in the same bank all his life by people of *similar* background can do anything. Within e clearers there will be more qualified accountants in the finance function, *and lawyers will* man the legal departments.

By the turn of the next decade the chances are that the Bank of *England will* have taken on new functions. As a result of the 1979 Banking Act it is now charged with the supervision of all UK banking institutions. This may well lead to it becoming far more of a public interest body than it is now. In ten years time it may no longer be publicly acceptable for the bank to be seen to a great extent as the friend, confident and defender of the banking community.

One way in which the Bank—or others—will certainly act is in the area of bank accountability. At the present time the accounts of most British banks have little or no usefulness, and several senior merchant bankers even claim that this is a situation encouraged by the Bank of England.

CONTENTS

Challenges for the clearers

THANKS TO the 1979 Banking Act there is now a more or less comprehensive list of all the banking institutions carrying on a deposit-taking business in the UK. The Act provides a two-tier licensing system, with separate status for "recognised banks" and "licensed deposit-takers." At the time of writing the Bank of England has classified 277 institutions in the first of these categories, while a further 186 have been granted a second status; a further 132 institutions await classification.

But the Banking Act listings provide only a crude starting point for a description of the structure of British banking. The lists do not cover the National Girobank, the Trustee Savings Banks (TSBs) or the possible to draw any standard concluaion from the fact that an institution bas been classified as a licensed deposit-taker rather than a recognised bank. To achieve the recognised bank rank an institution is required to provide a wide range of banking services and enjoy a high reputation in the banking community. The polnt is that repntatlon alone does not gain entry to the top category.

Significant

The Londoo and Scottish "clearing" banks—the UK's main commercial banks—form the most significant group within the recognised list. The Loodon clearers inclnde the "Big Four"—Barclays, National Westminster, Midland and Lloyds—as well as Williams and Glyn's, which is part of the Royal Bank of Scotland group.

There are three Scottish clearing banks—Royal Bank of Scotland, Bank of Scotland and Clydesdale Bank—and eacb has close links with one nf tbe London clearers. Barclays Bank owns 35 per cent of the equity of Bank of Scotland, Midland owns Clydesdale, and Royal Bank, as already meotioned, ls a sister bank of Williams and Glyn's. Yorkshire Bank is another hank which falls conveniently into this group. Today it is owned by a number of the London clearers.

Today all these banks offer a wide range of banking services, spanning both the retail (personal) and corporate markets and increasingly extending into investment banking activities which have so long heen the reserve of the London accepting houses.

Much of their business is conducted through extensive branch networks, and they run their own money transmission service. Until recently bank branches were run on the basis that they could provide all customers with a comprehensive service. This bas now given way to a move to separate large corporate business away from the traditional hranches into regional centres, leaving the branches to become retail outlets.

In many respects the clearers have become universal banks, though individual activities are far from integrated. Seperate subsidiaries carry oo leasing and HP business, investment banking, credit card operations and so forth.

The investment, or merchant banking, subsidiaries have different origins in the case of eacb of the 'Big Four." Midland Baok owns Samuel Montagu, a traditional accepting house; both Barclays and NatWest have developed their own businesses from scratch and these offshoots—Barclays Merchant Bank and County Bank respectively—are names frequently heard in the market place. Through them the clearers are prepared to take eqnity stakes in industrial and commercial companies. In addition the Midland group has a separate equity investment arm for taking stakes in small companies.

If the universal-type clearing banks are regarded as the principal participants in UK banking, their competitors ln each of their major areas of operation may be cooveniently classified.

In the husiness of retail, or personal hanking the competition extends from the TSBs, the Co-operative Bank, National Giro and the building societies to a growing number of North American institutions which are beginning to get a foothold in the UK market.

The background to this market place is a vast unbanked adult population—between 40 and 50 per cent of UK adults do not have bank current accounts. The clearing banks dominate the part of the population which is banked—for the most part the middle and upper classes.

Reorganisation

The TSBs—a sort of co-operative grouping of 17 regional savings banks—could well provide the clearers with their first serious competition in retail banking if reorganisation plans are realised. These involve a complete re-orientation of the TSBs from being no more than a deposit-collecting service for the Treasury into full-scale retail banks. Their personal banking services are now more or less as extensive as those of the clearers, and the proposed acquisition of the HP business of United Dominions Trust provides the TSBs with a very useful base to build on.

Because of its historical association with the UK savings movement the TSB has a natural advantage in dealing with the semi-skilled and unskilled workers who do not yet have bank accounts. Equally well placed ought to be the Co-op Bank and National Giro.

The Co-op Bank is beginning to resemble the clearers in the range of its services, but for the most part it is a personal bank. It has the great advantage of having convenient outlets in almost all co-op stores throughout the country. In a similar way National Giro uses post offices as its outlets.

While institutions like the TSBs, the Co-op Bank and National Giro provide lending, deposit and money transmission services, the country's building societies operate in a more restricted area. They are the largest gatherers of deposits in the country, and all their lending is for house purchase.

The final category in the field of retail banking includes about 10 institutions from North America. These are the most recent entrants to the market. They fall into two groups. Some, like Citibank Trust, Western Trust and Savings and Boston Trust, are bank-owned, while the others—bearing names like HFC Trust, Avco, and Associates Capital Corporation—are owned by non-bank compan[illegible] in the US.

While foreign banks have [illegible] to make much of an impress[illegible] in the UK retail market, [illegible] same is not true in the corpor[illegible] field. Foreign banks alre[illegible] account for around 30 per c[illegible] of lending to British manu[illegible] turing industry. Here the m[illegible] business is done by the big [illegible] banks, but the Germans [illegible] Japanese are also significa[illegible] participants.

Turning to merchant banki[illegible] the picture is significan[illegible] different. Here the lead[illegible] names are the City's accept[illegible] houses, or the traditio[illegible] London merchant banks. Th[illegible] activities vary considerably, [illegible] all the leading names o[illegible] specialised corporate banki[illegible] including lending services. Th[illegible] are involved in corpor[illegible] finance advice work, and th[illegible] have fund management ope[illegible] tions. Among the larger hou[illegible] are names like Kleinw[illegible] Benson, Morgan Grenfell, [illegible] Samuel, Warburgs a[illegible] Schroders.

Michael Lafferty

MAIN PARTICIPANTS IN THE UK RETAIL BANKING MARKETPLACE
TABLE OF OUTLETS OF UK FINANCIAL INSTITUTIONS

LONDON CLEARERS	
National Westminster Group	3,370
Barclays	3,014
Midland Group	2,705
Lloyds	2,311
Williams and Glyn's	320
SCOTTISH CLEARERS	
Royal Bank of Scotland	606
Bank of Scotland	567
Clydesdale	376
OTHER DOMESTIC INSTITUTIONS	
Trustee Savings Banks	1,661
Co-operative Bank (plus 3,978 cash-a-cheque facilities	880
Post Office/National Girobank	1,571 crown; 21,056 sub
Yorkshire Bank	194
Standard Chartered	17
Building Societies	5,147
DOMESTIC FINANCE HOUSES (parents in brackets)	
Lombard North Central (NatWest)	122
Mercantile Credit (Barclays)	106
Bowmaker (CT Bowring)	100
Chartered Trust (Standard Chartered)	98
Lloyds and Scottish (Lloyds and Royal Bank of Scotland)	96
Forward Trust (Midland)	92
United Dominions Trust (to be acquired by TSB's)	85
North West Securities (Bank of Scotland)	75
First National Finance Corporation	27
FC Finance (Co-op Bank)	
Yorkshire Bank Finance	
NORTH AMERICAN-OWNED INSTITUTIO[illegible]	
Bank Owned:	
Citibank Trust (Citibank)	
Boston Trust (First National Bank of Boston)	
Western Trust and Savings (Royal Bank of Canada)	
Security Pacific	
BankAmerica Finance (Bank of America)	
Non-Bank-Owned:	
HFC Trust	
Avco/Red Dragon Securities	
Beneficial/Security Trust	
Associates Capital Corporation	
Commercial Credit	
OTHER FOREIGN BANKING INSTITUTIO[illegible]	
Bank of Credit and Commerce International	
Allied Irish	
United Bank	
Muslim Commercial	
Habib Bank	
Bank of Ireland	
Bank of Ireland plus the British Credit Trust finance house	
Bank of Baroda	
National Bank of Pakistan	
Bank of India	

Source: Noel Alexander Associates, London and F.T. sources.

The regulatory arm and its scope

NEARLY A year has passed since the entry into force of the new UK Banking Act on October 1 last year. In that time the dust has still not settled, although the shape of British banking in the 1980s is slowly emerging through the gloom.

Passage of the Act has already visibly tightened the Bank of England's regulatory grip on the banking system. In this respect British banks are hardly in a different situation from their counterparts abroad. Regulation became a vogue word around the world in the late 1970s. In Britain its creeping progress was no donbt hastened by the fringe banking crisis earlier in the decade but such a development also bears the stamp of international fashion.

A financial system which witnessed the spectacular collapse of Germany's Herstatt Bank in 1974 and which more recently has been left bewildered and perplexed by its vulnerability to massive flows of bomeless international money simply cannot escape the attention of regulatory authorities. For the latter it has become something simply too dangerous to be left alone.

Functioning

Tha main problem for the regulators lies, bowever, in devising controls that will guarantee the safety of banking without impairing its smooth functioning. This is the question that has to he asked about the UK Banking Act in all its ramifications. As yet the answer is still uncertain.

Tbus far the most obvious—and prohably the best chronicled—impact of the Act has been the establishment of the bureancratic framework under whicb the tighter regulations will operate. The Act provides for a two-tier system under which financial institutions are classified either as banks or simply as licensed deposit takers.

Recognition as a bank is granted to institutions meeting certain criteria relating to repntation and the provision of a wide range of banking services or a highly specialised hanking service. Recognition as a licensed deposit-taker, by contrast, is granted to institutions which are deemed as heing competently and prudently managed. Although both categories under term of the Act are obliged to contribute to a new deposit protection acheme, only recognsed banks are in principle allowed to use the word "bank" in their title.

This was a bitter pill for institutions in the deposit-takers category to swallow. Inevitably thetwo-tier system was asociated with rank and status. Such is the vanity of the hanking profession that the puhlication of each new list was awaited with eager, od as the case may be fearmul, anticipation to see just who would land a position on the coveted senior list and who would have to put up with what the market felt was second ebst.

This kind of ratings game reached such a fever pitch that tha Governor of the Bank of England felt impelled to intervene. In a speech to hankers during the summer he suggested that the division of institutions into two categories was one of function rather than status. He said he would regard the market as lacking in professional expertise if it insisted on treating deposit-takers as inferior organisations.

The argument about status was thus misplaced, even if it was inescapable with the introduction of any two-tier system. Douhtless institutions will learn to live with their status and in practical terms the two-tier system in itself may not do all that much to alter the face of British banking. What follows on from it is far more important, however, and here the changes could be very far-reaching indeed.

Nowhere is this more the case than with the Bank of England's new proposals for liquidity. The main point at issue is an attempt by the Bank to get round the inherent weakness of liquidity requirements as they have been traditionally handled.

The traditional way of looking at a bank's liquidity situation has been to calculate the level of its cash and readily realisable assets as a proportion of its deposits. Recently such an assessment has come to be regarded as crude because it pays too little attention to maturity transformation.

A bank may appear to have an adequate store of liquidity to cover the gross amonnt of its deposits, while at the same time mismatching its assets and liabilities in such a way as to incur serious potential problems of repaying its borrowings. The new liquidity proposals attempt to tackle this head on. In essence they take a fresh look at the ancient hanking pitfall of borrowing short to lend long.

Under the liquidity proposals the Bank of England distinguishes between three types of deposit. The first, called maturity uncertain deposits, inclndes current account deposits and deposit accounts repayable at short notice. For these the propos[illegible] liquidity requirement is 25 p[illegible] cent. A second type of depo[illegible] is non-banking liabilities [illegible] definite maturities. For the[illegible] the requirement ranges fro[illegible] five per cent for deposits e[illegible] ceeding one year to 90 per ce[illegible] for deposits of up to eight day[illegible] The third type are gross mon[illegible] market deposits. Here a contr[illegible] versial requirement is propos[illegible] that interbank deposits of [illegible] to one month must have 100 p[illegible] cent cover.

This is a major sticking poi[illegible] in the proposals. Not su[illegible] prisingly, criticism w[illegible] immadiately raised that th[illegible] proposals tended to favour th[illegible] clearing banks. They ha[illegible] accesa to large amounts [illegible] customer deposits which be[illegible] the lowest liquidity requir[illegible] ments. By contrast, bank[illegible] engaged in wholesale busine[illegible] rely heavily on the mon[illegible] markets for funds and wou[illegible] he put at a strong disadvanta[illegible] hy the proposala.

Traditional

Indeed liquidity requiremen[illegible] as strict as these would ma[illegible] it very difficult for hanks [illegible] condnct business in some trad[illegible] tional international areas suc[illegible] as Eurocredits. Were the[illegible] introdnced as a formal regul[illegible] tion some hanks might find [illegible] necessary to move elsewhere [illegible] an occurrence which woul[illegible] damage the City's standing [illegible] an international financi[illegible] centre.

There are some indicatior[illegible] that protests such as the[illegible] were taken to heart by th[illegible] Bank of England. Withou[illegible] actually back-tracking, it bega[illegible] to suggest that they wer[illegible] intended to stimulate debat[illegible] The Governor, Mr. Richardso[illegible] told hankers that the questio[illegible] of safety in banking had bee[illegible] too little discussed. Mr. Pete[illegible] Cooke, head of the Bank[illegible] Supervisory Department, tol[illegible] bankers in May that th[illegible] proposals could be used as [illegible] means for monitoring liquidi[illegible] rather than controlling it.

So the debate continue[illegible] arousing much more passio[illegible] than the proposals on capit[illegible] adequacy and foreign exchang[illegible] exposure which preceded th[illegible] Bank's paper on liquidity. Th[illegible] banks, on the whole, are sti[illegible] suspicious, for they regard th[illegible] proposals as an inexorable ste[illegible] towards greater regulation. Fo[illegible] its part the Bank of Englan[illegible] will doubtless modify its initi[illegible] proposals, but it has to dra[illegible] the line somewhere and at th[illegible] moment the pencil is sti[illegible] poised.

Peter Montagnon

Speeding the money transfer

IT IS now well established that around 95 per cent of all money transactions in the UK are for small amounts and that they are almost without exception settled hy using cash. It is only the remaining 5 per cent or so that involve the intermediation of banks and other financial institutions.

Compared with any other method, cash payments for small amounts are quick, efficient and very cheap. The efficiency and predominance of cash payments help to explain why a large proportion of the population is able to manage life quite well without a bank account and why progress towards the moch-heralded cashless society has been virtually non-existent.

Despite its small share of the number of payments, non-cash money transmission is probably responsible for making 99 per cent of the value of all transactions and it is obviously of the greatest importance that this should be done as efficiently as possible. The UK is really rather fortunate in this respect, as our money transmission system compares extremely well with what is available in other countries. For this desirable state of affairs the clearing hanks deserve most of the credit as the money transmission system has been, and still is, dominated by them.

Incidentally, they also bear the considerable burden of operating the national cash distribution system and thus provide the infrastructure for settling virtually every transaction carried out in the UK. The ability of the clearers to bring in new procedures and techniques more rapidly than banks in other countries can be attributed to their strong position and small numbers, which enhance their ability to reach agreement and take effective action.

The backbone of the British money transmission system has always been the cheque, which accounts for about two-thirds of all non-casb payments. Although the cheque clearing system is owned and operated by the clearing hanks, which account for 90 per cent of the volnme, other banks and financial institutions can get their cheques cleared via agency agreements.

Moreover, the clearing hanks are prepared to offer functional membership of the Bankers' Clearing House itself to suitably qualified candidates. The Co-operative Bank and the Central Trustee Savings Bank have recently taken advantage of this opportunity and National Girobank will probably join soon, but others have cbosen to continue with agency arrangements.

As well as ordinary cheque clearing, the Clearing House operates both the credit clearing and the town clearing. The latter is limited to cheques of £10,000 or more whlcb are drawn on and paid in at about 100 branches within a few minntes' walk of the Clearing House. Town clearing cheqnes are exchanged and settled on the day they are paid in, a aervice which is probably unrivalled anywbere in the world, and they represent about 90 per eent of the valne of all cbeques, although only a fraction of 1 per cent hy volume.

Forefront

The clearing banks, nrged on by the need to contain costs, have been in the forefront of technological developments. In 1968 they estahlished what was one of the world's very first antomated clearing houses for the exchange of paperless payments on magnetic tapes. Bankers Automated Clearing Services is today probably the world's largest, processing an annual total of about 400m standing orders, direct debits and automated credit transfers. Inclnding some 50m standing orders processed internally by individual banks, nearly 20 per cent of all non-cash payments are paperless.

The two years before the establishment of the automated clearing house saw tha introduction of cash dispensers and credit cards, both of which are now maturing as key elements in the future of money transmission. Barclays was the first in the world to instal cash dispensers and British banks are still among the most enthusiastic proponents, with Lloyds having the largest network of on-line dispensers in the world. The more flexible autotellers, which provide other services in addition to dispensing cash, are now replacing tha first generation of dispensers and these will increasingly have an impact on money transmission.

Bank credit cards were imported from America and developments in tbe UK closely follow the American pattern. Visa cards are issued by Barclays and the Trustee Savings Banks, while Access cards, which are affiliatad to tbe American MasterCard system, are issued by the other big banks. With over 100m transactions last year credit cards already play a significant role in money transmission, but this is nothing compared to their potential in the exciting field of electronic funds transfer (EFT) at the point of aale, wbich will use cards to effect an instantaneous transaction debiting tbe purcbaser and crediting the retailer.

In the U.S. there bave been several EFT experiments at retailers but most, if not all, have ended in failure. In the UK the clearing banks' scheme for a major co-operative experiment in electronic funds transfer is now in some doubt, but Barclays has quietly introduced Counterspeed—the UK's first retail EFT scheme—at seven garages in Norwich. This facility, whicb certainly does considerably speed up transactions when all goes well, can be used not only by Barclays' own card-carrying customers but also by all holders of Visa cards.

Counterspeed offers Britisb customers their first opportuoity to use debit cards for retail transactions. If a Barclays customer uses his Barclaybank card it is a debit card accessing a current account: if be uses his Barclaycard it is a credit card accessing a revolving line of credit. The significance of debit cards is that they call into questioo the well-established link between card transactions and the provision of interest-free credit.

Explosive

The explosive growth of plastic cards is already starting to alter the established relationships in money transmission. It is no exaggeration to say that in future the distinction between clearing banks and non-clearing banks may well be less important than that between Visa banks and MasterCard banks.

There is no reason, in theory at least, why a building society sbould not issue its own Visa debit cards and thus at a stroke gain a useful source of income and provide its customers with a widely accepted method of paying for retail purchases. Similarly, by joining one of the two bank card networks, even comparatively small banks with no branches will be able to gain access to cash dispensers, electronic funds transfer systems, etc. Another development which may undermine the advantages of a large brancb network is the Post Office's Prestel system which may one day make banking at home a reality.

Although technical innovations are creating opportunities for American banks, building societies, the National Girobank and perhaps even retailers to compete more effectively against the clearing banks, they do also give the clearing banks significant opportunities. Taking away some of the drudgery of money transmission processing from branches will improve staff morale and release capacity to carry out the banks' ambitious plans for attracting savings deposits and providing house mortgage loans. Card-based accounts especially offer perhaps the best hope of attracting and accommodating the business of the significant proportinn of the population which does not yet have any sort of current account.

Only ona institution, the National Girobank, bas attempted to do more than follow where the clearing hanks have led in money transmission. Sat up with the intention of emulating the success of the Continental postal giros, Girobank bas never really caught on in our cheque-based society. To be any use to customers Girobank bas had to interface itself with the clearing banks' systems and provide cheques as well as giro transfers. In fact, one can argue that all Girobank has achieved is to introduce its own non-standard method of bandling internal credit transfers: any other hank could do the same if it chose.

All in all, the clearing banks seem likely to continue to set the pace in money transmission for the foreseeable future.

The Wilson Committee rather feebly recommended that the Bank of England sbould become more closely involved in regulating admission to the Clearing House, in order to avoid any suspicion that the clearing banks might be misusing their dominant position. While this sounds innocuous enough, it would be a pity if Government involvement and increased membership had the effect of stifling initiative and emasculating a system which has served the nation rather well for the past hundred years.

By a Correspondent

The early days of exchange freedom

WHEN the lifting of exchange controls was announced by the *Chancellor of the Exchequer*, Sir Geoffrey Howe, on October 23 last year, it seemed from Tory Party pronouncements that a new era had dawned. After 40 years of being cosseted behind foreign exchange restrictions, British investors were free to come and go as they pleased and British hanks could look forward to a transformation of their foreign-related business.

Almost a year later, it seems difficult to realise what all the fuss was about. If there has heen a revolution, it was a quiet one. *This is in part attributable* to the strength of sterling, coupled with high interest rates, which have helped to hold money within the UK and has deterred foreigners from coming to borrow funds in London.

More important perhaps was the fact that exchange controls could often be circumvented with (and occasionally without) Bank of England clearance. For a major company with extensive foreign interests, the impact has heen noticed but it has not been dramatic.

Furthermore, the process of emancipation was not complete until the banks were free of corset restrictions. As one banker put it: "The ending of exchange controls may have heen the crucial breakthrongh for our customers but for na the central issue was the corset."

Currency

None the less, hanws have seen significant changes since last October. oFr the clearers, the main impact has been in the foreign exchange rooms. The foreign currency operations of British companies were severely circumscribed by exchange controls but now have complete freedom to hedge and match positions as they choose.

The clearing bank estimates that as a result the amount of forward business done on the foreign exchange market has increased hy about a quarter since last autumn. Companies have in particular heen taking cover against contingent liabilities, which was not possible under exchange controls.

This growth has occurred despite the fact that other customers have heen unwinding the forward positions which they had established up to the end of last year, preferring to hedge their receivables against foreign currency overdrafts or term loans.

Many British customers took advantage of their new freedom to repay or refinance foreign borrowings. In many cases foreign currency horrowings with banks in the UK replaced funding which had previously been carried out abroad. The finance director of a medium-sized British company will generally find it more convenient to hava his borrowings concentrated in the UK rather spread among a variety of banks across the world.

The main impression is that banks have heen adjusting the funding arrangements for their customers rather than generating a substantial new volume of foreign-related business. At the same time, they have been obliged to widen the range of services offered in order to compete with foreign banks long familiar with the intricacies of international financing.

Their existing foreign exchange advisory services have been extended, for example, and hooklets have been issued to local branch managers advising them of the specialist facilities on offer. Head office teams are on hand to help branch management with complications such as double taxation agreements. Overseas portfolio investment is another area in which the clearers have had to broaden their expertise.

The new environment has involved the clearers in a rapid and intensive education drive to get the message across hoth to their own managers and to smaller corporate clients. The clearers have always rejected charges that they hid behind the shield of exchange controls but nne banker conceded that "there was a time when managers bad their green exchange control bibles and did not have to go beyond that."

In terms of overall operations, the lifting of controls bas had more significance for the merchant banks, which greeted the mova with almost hysterical enthusiasm. They were well placed to service the flock of foreign horrowers which were expected in London. In bindsight the results have been mixed.

The foreign sterling bond market has got off to a slightly creaking start with a £75m issue from the Kingdom of Denmark; Scandinavian Bank set another ball rolling with the first Euro-Sterling floating rate note issue. But neither has so far found many imitators. Borrowers are daunted both by the high level of sterling interest rates and the exchange rate risk.

The banks remain optimistic that London will draw an increasing number of foreign horrowers and also hold out the hope that British companies will develop a corporate bond market. The management fees and commissions which would he available to them are highly attractive and they are seeking to place bonds directly with institutions, rather than through brokers, which would increase the return further.

The equity market has proved a much happier hunting ground, as foreign companies have come in droves to list their shares in London, and periodically to raise money at the same time. One Dutch company, Vitatron, even listed its shares in London before seeking a listing in Amsterdam. A welcome sign for the banks is that some companies, such as United Energy Resources of the U.S., have cited as one of their reasons for the listing the freedom to raise money on the local capital markets.

The merchant banks have also been intensifying their involvement in international investment management. Mr. Richard Green of Hill Samoel says that clients coming to London are more often looking for an institution to manage the whole of their overseas portfolio than for an advisor on the UK. The accepting houses had been active in this field before the end of exchange controls, particularly when the investment premium was low, but the Chancellor's decision has made the process simpler.

Similarly, there have been advantages in the handling of overseas investment for domestic clients. Recent figures suggest that UK institutions have stepped up their foreign portfolio investment and the merchant banks will have shared in this business. Eqnally important, however, is the fact that institutions can now deal more cheaply and more easily on foreign markets.

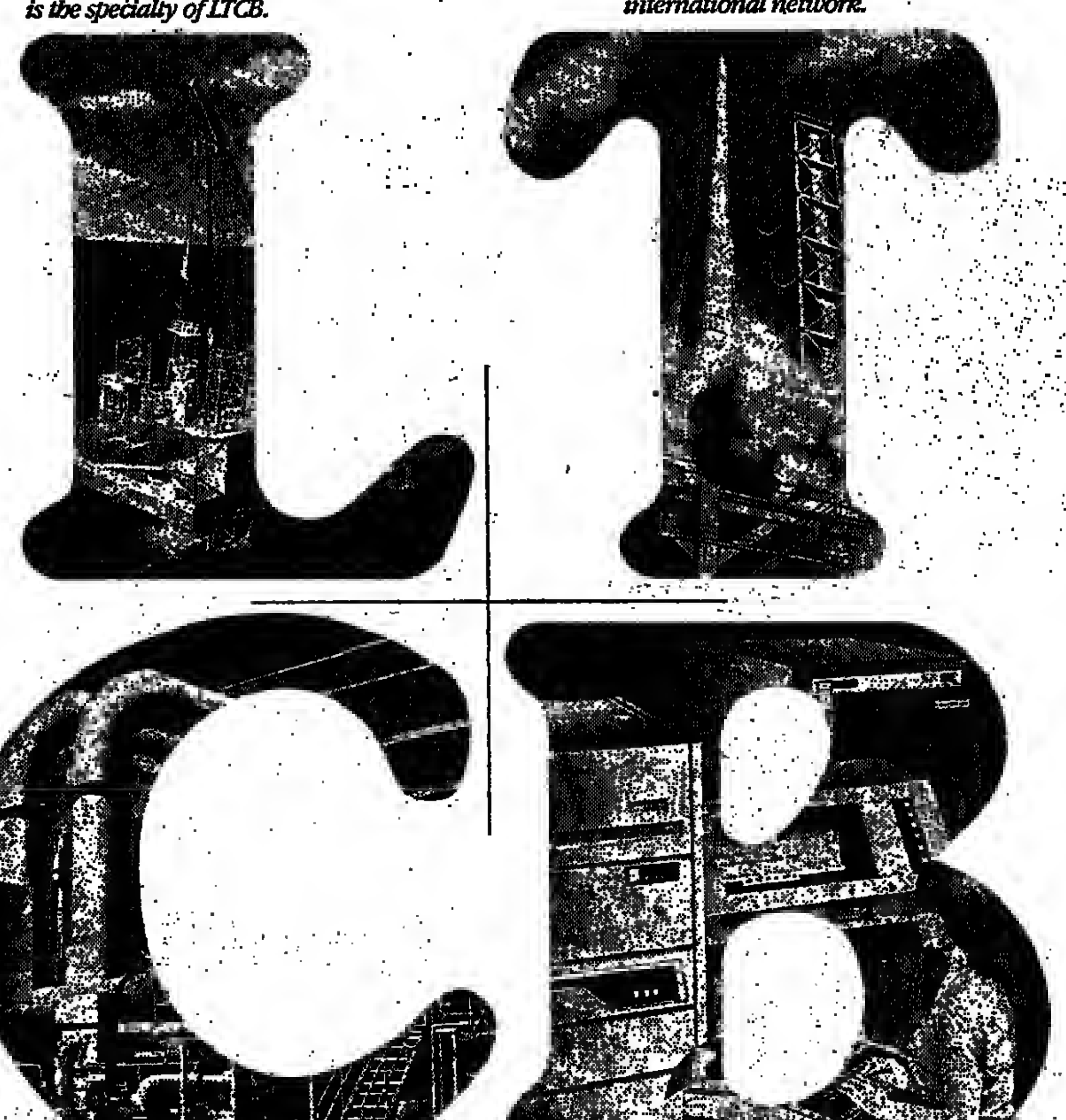
Garnering

While the merchant hanks have been garnering new business as a result of last October's decision, they may have seen aome slight fall in revenues from other quarters. When exchange controls were in force, they advised clients extensively on ways of using tha premium and were ready to charge for the service by topping up commissions. They argue, however, that this service was never seen as a money-making venture.

More important is the threat which all the banks must now meet from foreign competition. American banks, for example, have a long tradition of arranging cash and portfolio management for their clients and they are actively courting the UK market. They are also in a position to advise on such specialist areas as expert credits and overseas taxation, ntilising an extensive foreign branct network. Foreign securities houses are also providing stiff competition for local banks, pushing their expertise in foreign markets.

Foreign competition is nothing new to UK banks, however, and they are already equipping themselves for other areas of *specialist financing* opened up by exchange controls. Japanese companies, for example, are coming to London to issue sterling paper convertible into yen equity. The opening up of a financial futures market in London may net be far away. The period of exchange freedom has not produced a transformation in British banking, bnt the implications of such a decision are not to be measured over a year.

John Makinson



Industry's heavy degree of dependence

CORPORATE FINANCE

On this and the following two pages a series of articles discuss the role of the banks and other institutions in the provision of funds to industry—a sector likely to see some major changes of pattern in the coming years.

DURING THE last major recession in 1974 and 1975 it was the property and construction sector that caused the banks the biggest headaches. Collapsing property values undermined the security that backed an enormous volume nf lending, and it tonk years for the banks and the property industry to extricate themselves from the mess.

In the current economic setback, bowever, the major banks are lnnking anxiously at a different source of actual and potential trouble. This time, largely because of the high level of sterling caused by Britain's North Sea wealth, it is manufacturing industry that is in the firing line. At the time of their balf-year results this summer the big clearing banks were trebling and quadrupling their provisions against bad and doubtful debts. For the period of financial strain has come at a time when industry is mnch more dependent on the banks than at any nther period in recent history.

Twenty years ago, for instance, the industrial and commercial cnmpany sectnr bad very little net debt at all, and a good part nf such borrnwings were in the fnrm of long-term debentures and loan stocks. In the early 1960s the company sector's liquid assets were normally larger than its aggregate advances from the banks. In 1963, for example, bank advances were nn average £2.8bn but the sector's liquid assets tntalled £3.5bn.

Highlight

Such aggregate figures do, of course, tend to disguise variatinns fnrm one cnmpany to another. But they serve tn highlight the fact that the traditional overdraft finance which represented the overwbelming proportion of bank credit to industry at that time was strictly a fluctuating and seasonal form of lending.

For longer term finance companies looked elsewhere—mainly to retained profits, hut also to equity issues and to long-term borrowing from outside the banking system. Until about 10 years ago the UK still had a comparatively active primary market in cnrporate bonds.

The onset of rapid inflation bas radically changed the whole pattern of company financing. The corporate bond market bas died, as companies have been unwilling tn commit themselves tn very high coupon rates which can nnly be economical to service on the decidedly risky assumption that inflatinn will continue for many years at a high rate. At the same time the level of profit earned in real terms by industry has dropped sharply, increasing the demand for external finance.

This bas presented a tremendous nppoturnity for new business for the banking system which it has eagerly accepted, although substantial changes in methods of operatinn have been required. By 1979 average bank advances to the industrial and commercial cnmpany sectnr were £28.6bn, although in real terms the most rapid period of expansion of industrial borrowing was in the years 1972 tn 1974.

The most important adaptation by the banks was their willingness to shift much nf their lending intn a medium-term form. They had an incentive to do this, for higber rates could be charged on the term loans, but at the same time there were prudential restrictions given that the vast bulk nf clearing bank deposits are very short-term in nature. There is thus a risk in building up too illiquid e loan book.

Historically, the clearing hanks found that in many cases ovedraft credit was no longer fluctuating—and at some periods nf the year disappearing—but was assuming more nf a hard core nature. At the same time certain American banks were becoming active in developing term loans to prime corporate customers, an area in which they had already developed considerable expertise in domestic operations in the U.S.

After the 1974 financial crisis company finance directors were looking for ways to lengthen their debt structure, hut were only willing tn contemplate floating rate credit. This was the gap that the banking system rapidly filled.

The London clearing banks tnld the Wilsnn Committee that by the end of 1977 medium-term lending accnunted for 42 per cent of all their domestic advances other than to the personal sector, and as much as 50 per cent including lnans under the export finance scheme.

Flexible

The banks bave also adapted to industry's requirements by developing much more flexible financing packages, and by extending the range of services they can handle. Their eagerness to innovate has, however, varied with the times. In the comparatively slack perind fnr lending in 1977 and 1978 there was a great deal nf competitinn fnr new lending business. Bnt for the two years up to Jnne this year the banks were under severe pressure to stay within the Bank of England's "corset" limits, and in any case involuntary bank borrowing by industry has been on a large scale. In recent months, therefore, the banks bave been a good deal less eager to stimulate new lending.

However, the banks have continned to promote their activities in the field of leasing, a very rapidly growing form of finance. For companies it has the advantage of being off the balance sheet (though there are moves within the accounting profession to make lease commitments more visible) and it is a flexible form of credit, thnugh tending to be rather expensive.

A key factor from the banks' point of view is that leasing gives them a chance tn take advantage of the tax concessions, in the form of capital allowances, which are available to purchasers of capital equipment. Many manufacturing companies, on the other hand, are not generating sufficient profits to absorb the capital allowances which become available in the normal course of business, and it therefore makes sense for the tax benefits to be shared through this particular form of intermediation by the banking system.

All these various changes in the traditional relationship betwene the banks and industry now face a severe test as profits and output in many sectors—but especially manufacturing—are squeezed severely. Indnstry has continued to borrow heavily, and many companies will be anxious to see how their bankers react when the financial pressures grow serious.

Thus many companies have signed term loan agreements which contain performance clauses linked to factors like interest cover and debt/equity ratios. The recent wave of property revaluations by industrial companies has been evidence of the precantions being taken by finance directors, althongh such cosmetic measures cannot solve many problems.

Stone-Platt was one company that breached its loan agreement and found that its bankers required major changes. Its term borrowings were cnnverted into short-term debt, and other onerous conditions were imposed.

If banks are going to adopt an inflexible attitude to such breaches of loan conditions then many more cases like that of Stone-Platt are going to emerge in the next few months. Clearing bankers are anxious, too, about the financial health of many of their small and medium-sized private company borrowers which are not large enough to employ sophisticated finance directors or advisers, and which have rarely if ever faced such difficult financial conditions: even in 1974 interest rates never rose so high as they have been since last autumn.

At least the clearing banks have been making handsome profits and can absorb a fair amount of trouble. And one clearing bank chairman recently went out of his way to promise that his bank would adopt a tolerant approach. Mr. Robin Leigh-Pemberton of NatWest promised support beyond the normal bounds af strict prodentiality. So it could be that troubled industrialists will find their bank managers more sympathetic than they expect in the difficult times immediately ahead.

Barry Riley

Aggressive policy helps ICFC to expand

IF YOU sat down to draw a financial blue-print today, you would probably not come to the conclusion that what Britain's small company sector needed was an Industrial and Commercial Finance Corporation (ICFC). For some years, the clearing banks have been lending increasing amounts of money on a medium-term basis. More recently, they have also moved into long-term fixed rate finance and they are now seeking opportunities to make equity investments as well. So are a number of pension funds, and other City institutions.

Yet although competition for the business it was set up to undertake is increasing rapidly, the fact is that ICFC has itself been expanding at an unprecedented rate. Overall, its portfolio rose in numbers from 2,456 to 2,907 in the year to March last, an increase of over 46 per cent in the space of three years. And gross investment in the 12 months rose by more than half to £105m.

Within this overall advance, ICFC has been pushing hard in some quite adventurous areas of the market. Last year, it backed 309 new businesses or start-up propositions, compared with 112 in 1978-79, and it helped 49 management teams to buy control of the organisations for which they worked, more than double the previous year's figure.

The group's competitors out in the field say that they detect a noticeably more aggressive policy by the group than was ever apparent in the past. Mr. Larry Tindale, who is deputy chairman of Finance for Industry (ICFC's parent) says there has been no change in the investment strategy, and explains the figures largely in the context of a resurgence in the small business sector.

All the same, ICFC's marketing organisation has been beefed up considerably in the last few years, and the level of staff support available at head office has also been bolstered. The group has sharpened up in a number of other ways. In cash management, for instance, it has been gaining from an increased emphasis on cash flow analysis.

So the group is not reacting passively to rising competition. "We are sitting in possession of the field and we are there to be attacked," says Mr. Tindale. He thinks that the progress of ICFC has acted as a spur to the clearing banks to increase their own activities in this area.

Finance for Industry does not make a very high return on its near £1bn of capital employed. Profits before interest last year were £108m. But it has shown that this kind of business can finance itself—and there would be obvious side benefits for the banks if they could get their hands on more of it.

The joke is, of course, that ICFC is owned by those very banks that are now after its business. The shareholding in Finance for Industry is divided between the Bank of England, with just over 15 per cent, and the English and Scottish clearers. In today's conditions that may seem an impermanent arrangement. But in practice there is little reason to think that it will change in the foreseeable future.

Backing

For a start, ICFC is—not surprisingly—very happy with its present shareholding structure. Such backing brings a tangible benefit when it comes to raising new funds in the money markets. Moreover, as Mr. Tindale points out, "ICFC does not set out to maximise its short-term profits." In the strictly hypothetical event of it ever wanting a new class of shareholders, he would for this reason prefer to take in institutional investors rather than the general public. They would, he argues, be prepared to take a longer view.

In addition, ICFC can live comfortably within its existing financial framework. Its gearing ratio is only about 5 to 1, as compared with a limit of 7 to 1, and, says Mr. Tindale, "the present projections to not imply the need for any new equity backing over the long term."

So provided that everything goes according to plan, the clearers are not going to be asked for new money to finance an activity in which they are themselves now competing with wholly owned subsidiaries.

If there were to be any change in the structure of ICFC, it would only be at its shareholders' initiative. And that, despite the aggressively competitive noises which may be heard out in the field, seems unlikely. As you move up the banking hierarchy towards Lombard Street, a more lordly attitude starts to prevail. Quite rightly, senior bankers are prepared to live and let live.

This is an area where competition seems unquestionably to be in the public interest. It would be a bad day if small companies were ever forced to take all their financial eggs from one basket.

ICFC has an established network of 18 branches, with an experienced staff. It has a large and well diversified portfolio, only 16 per cent of which is in the form of equity. In real terms, it does not consume much in the way of financial resources.

Hence its confidence in its ability to remain a strongly competitive force, despite the appearance of the big battalions in the field of small company finance.

It is of course too soon to take a view on the success of its recent rapid expansion. Mr. Tindale says that its bad debt experience was unchanged in the year to March last, and that although there are signs that the figure is increasing at the moment, this is no more than might be expected at the present stage of the economic cycle. The numbers remain well within acceptable limits.

The recession is having an impact on new business activity, though. Mr. Tindale thinks it probable that the rate of gross investment this year will not be a lot higher than in 1979-80.

But although ICFC has a clearly identified role, the same cannot yet be said for another important arm of Finance for Industry, the Finance Corporation for Industry. It succeeded in advancing £45m last year ("in the teeth of intense competition," according to Mr. Tindale), taking the total advanced by this organisation up to £278m. But this is a long way short of the numbers that were considered possible at the end of 1974. Then, the organisation was revamped with a view to quadrupling its size over a period of two to three years by making new resources of up to £1bn available.

Satisfied

"Are we totally satisfied with FCI?" muses Mr. Tindale. "On the one hand I'd say no, we are not. On the other hand, we cannot say where we could do better."

FCI in its present form was established in conditions of acute financial crisis, and it will be kept in shape in case those conditions recur. That presents no particular problem, since it apparently produces a reasonable return and there is no competition for its resources within Finance for Industry.

Yet it does need — and is trying — to carve itself out a more permanent role. It is fairly innovative in the range of facilities which it offers: last year, for example, it started to make droplock loans, whereby the borrower is offered a variable rate which switches to a fixed rate if interest charges fall to an agreed level. And if and when the corporate bond market is revived, FCI hopes that it will find itself a niche in the business of financing smaller issues which might have too limited a market to go down well with the big investing institutions.

But it is hard to see FCI ever playing quite the role that was originally envisaged for it. It may expand a little on the fringes, but the core activity of Finance for Industry — and its main justification for an independent existence — will still lie in the ICFC.

Richard Lambert

What industry wants from the banks

FT: What are the most portant changes yon have en in the aervices offered by ? banking system to its corrate clients over tbe last cade?

Alfred Keoyon: The scene elf has changed, and tbe ser-:es have therefore changed. :change controls have beeo olisbed, and there is much ore emphasis on currency aling than there was before. here is mucb more emphasis competition — with the reign banks in particular. nce you've now got several indred of them in London. here bss olso been a trend wards having one's own individual point of contact with a rge bank. The fact that things ve become more competitive eans tbat one feels freer to go the other clearers. Finally. ie thing which must spring to ind is the enormous increase leasing, for tax reasons.

Mortin Bralsford: A feature the last 10 years bas been at the role of the treasurer is become far more sophisticated. and has to a large extent oved iotiatives out of tbe nks and into the compsnies. he banks are much more ady to respond to ideas and quirements coming from the rporate sector. rather than ie banks being expected to me up with the ideas.

Daniel Hodson: The foreign anks bave certainly been influntial in the development of ie overseas markets in this untry. the syndication market, great deal of the sopbistication of the Eurocurrency iorket. And I think the indigenous banks hove moved abead

In this interview with Robert Cottrell and Martin Taylor four company treasurers together present a corporate viewpoint of the banking system.

Mr. Daniel Hodson is group treasurer of Unigate and chairman of the Association of Corporate Treasurers. The others—also members of the Association—are Mr. Martin Bralsford, group treasurer of the Rank Organisation; Mr. Alfred Kenyon, treasurer of Plessey; and Mr. Kenneth Morton, treasurer of Reed International.

ery rapidly in their own way. The development of the Bankers' Automated Clearing System, the first computerised cash management system of its kind, has been very helpful.

Managing the money

MB: Banks bave had to get much more sophisticated on cash transmission systems—but I do believe this bas come on the initiative of the corporate side. Banks have been doing very well by baving rather unwitting customers who bave not been conscious of value-dating procedures and techniques which are available. Even now, I do not think that we have got anywhere near to the degree of sophistication that the American systems bave. Admittedly, they do need bigger systems than ours because they have got a more complicated domestic banking structure. But I do think that in the UK there is still some way to go in getting better money transmission services.

We are seeing the UK clearing banks making twice the return on assets of the next most profitable bank in the world. They enjoy the endowment effect of current account balances, the fact that a lot of people are leaving them with an undue amount of float, and with charges at the same time. They are having their cake and eating it.

DH: The money to be saved on an efficient method of cash transmission, saving value, is probably far greater than the money to be saved on chiselling away at interest rates. So that although it isn't the glamorous side of the treasurer's business, it is very important to him. I think the banks, on the other hand, put their thoughts very much into creating sophisticated debt instruments. I referred to the BACS system, which is a method of instantaneous cash transmission. I think this is the area for future development, trying to get as far away from a cheque society—because it's quite clear that carrying large piles of paper around the City is an inefficient way of doing business.

I think the problem with the bank charges, from the banks' point of view, is that they really have not come out and said what it costs them to move money. Because on the face of it, the British clearers are certainly the most profitable banks in the world. Yet they're always telling their clients that they are losing money on their bank charges, and bank charges are becoming an enormous percentage of financial costs.

AK: We found in Italy that the average cash movement took something like 45 days. We used an American bank to improve that system, and they cut it down to half. The American banks have got the know-how to do it, and the American bsnks bave got the kind of people who know bow to tackle that kind of problem.

DH: These sorts of peripberal services, wbether or not tbey are cbarged for, if they're done well, can show great profit-and-loss impact, from the point of view of the banks, generate great goodwill, and American banks do. in many cases, do it obsolutely superbly.

The banks as lenders

DH: A particular point wbich one hears discussed more and more these days is that we really must get o sterling fixed-interest market going in this cnuntry. I'm not sure, particularly as the clearing banks are talking about developing their deposit base, on o more medium-term basis, that this isn't an opportunity to strike out for, if necessary under five years, o fixed-interest market.

The U.S. is a comparotively easy place to get fixed interest money. In Britain, I think obviously in the longer term there's a more political element involved. We're experiencing a crowding-out, and with PSBR looking as if it is going to be way above earlier estimates, it seems as tbough that is going to continue for the tima being. All the same, if you look ot bolance sbeets, the fixed-interest debt where you know whot your interest charge is going to be is steadily diminishing.

Kenneth Morton: Fixed-interest sterling for several years is available from the banks. But I don't think that really is any solution to the problem. Because in the end our concern must be bow to keep the banks in their traditional role of providing the short-term flexibility, if they are providing all your long-term money as well.

MB: One of the things which I think we lack is that our investment institutions don't have the credit appraisal capacity that the American institutions bave. Their insurance companies have quite sophisticated appraisal systems, and are therefore quite prepared to take on direct obligations rather than looking to do the funding through the intermediary of some bank. They are helped by the fact that they have at least two credit-rating agencies which give some sort of feel.

It is those factors which mean that the short-term commercial paper market will not get off the ground here. It makes the institutions a bit cagey about lending direct because they don't really have a feel for some of the potential borrowers.

AK: We've recently seen rates of inflation fluctuating between 5 and 25 per cent. This is not an isolated phenomenon. There are other countries with similar rates of inflation instability. Now if you are going to get this, you are also going to see the same kind of swings in interest rates. You will not for long get real negative rates of interest, and you will not for long get very large positive ones either. Whether one wants to borrow at fixed interest rates will depend whether interest rates are historically high or historically low. If rates are low, I do want to borrow.

If rates are historically high, I am not interested in fixed-interest borrowing. If we are going to get the kind of instability that we have had in the 70s, and that is going to continue, then I think fixed-interest lenders are going to disappear. I think in the long run we shall all have to go to some kind of indexation. How many people are still interested in life insurance policies, where effectively you lose out on the inflation?

DH: I think thera is another solution, that I see developing over the next few years. That is interest rate futures. This market has reached a degree of sophistication in the U.S., and any market bere is based on the U.S. investing market. If you can fix your interest rate in the future, you do in effect have a fixed interest rate. The extent to which you could go out beyond one year would, I think, be comparatively fixed. But conceptually it is interesting, because it does put a tool of flexibility in the hands of the treasurer.

FT: Are banks trying to reduce the amount of borrowing that you do on overdraft? Are they trying to get you off base rate?

DH: It is difficult to answer that question, because they are probably going through a period of revaluation themselves with the abolition of the corset. I bave not noticed any particular push towards a more money-market related view. As for medium-term loans, on the whole clearing banks tend to provide them when asked. Whether this is, from the point of view of the treasurer, the right way to set about capitalising his company, is another issue. Many people would argue that perbaps there should be more medium-term debt on the books of most companies, consonant with the medium-term requirements of their plans.

KM: The banks' attitude to medium-term bank debt is, as I understand it, that it is an appropriate way of dealing with an excessive level of short-term debt. I think you will notice that companies which bave gone through a sticky period often announce that they bave made an arrangement with their bankers—

FT: "After constructive talks—"

KM: —and it bas been put on to a five-year base. On the other hand, people try to bridge the gap that we were talking about between the short and the long by medium-term hank credits.

The merchant banks

FT: Among the merchant banks, do you see a development towards banks specialising in particular kinds of joh? So that instead of baving a close relationship with the client, it has a close relationship with the job it does best?

AK: I think so, yes. There are certainly horses for courses when it comes to bonding business for large contracts. Tbere are borses for courses on acceptance credits and export finance generally. First of all, there isn't room for too many banks that do everything. Secondly, they will naturally find thot they're good at some things and not at other things, and they'll bave to bow out of the fields that they're not so good in.

KM: But this kind of specialisation is also forcing large companies to beef up their own contribution. They bave to be able to decide wno to usa, aod wbether they can brief them. It is getting awoy from saying "Well, we leave that sort of question to our merchant bankers." They have to understand the questions.

DH: There is a trend very much towards employing specialist people to deal with mergers and acquisitions, snd the other side of takeover negotiations.

FT: Do you have less fixed relations with your merchant bankers than yon did say five years ago?

DH: That is another issue. Most compsnies employ ona bank specifically, but I think more and more are prepared to entertain others. The merchant banks, equally, are much more aggressive at marketing their fee-earning services.

KM: The merchant banks hsve fewer qualms about making speculative proposals to people wbo are not their clients, and tbe otber banks do not feel particularly jealous about it.

Paying the price

FT: If therc were an emergence of specialisation, do yon see the possibility of a round of price-cutting in the fees charged by merchant banks for their corporate services?

DH: I don't think that would ever be a reason for going to a specific merchant bank. But there is always room for negotiation on professional fees of any kind. The client, whether he goes to a solicitor of o merchant bank or wbatever, is perfectly at liberty to negotista whatever ha thinks is fair.

KM: It is strange that thera is more heat than ligbt generated on the question of fee business for mergers or acquisitions than there is on straightforward underwriting whera the traditional levels are unchallenged and, it would sppear, very high.

AK: During the years of exchange controls, we used our merchant bankers a lot for such matters, they worked like Trojans on our exchange control problems, and—no charge. Came the next issue, they would cbarge a fatter fee, and justify it on the grounds of all the work they had done in the meantime. They should charge for what they are doing, instead of waiting for the next big occasiou and then lumping it all together.

Room for improvement

FT: Could we conclude by summarising the areas in which yon would like to see the banks either expanding their services or tightening up their existing ones?

DH: There will inevitably be a movement towards more sophisticated casb transmission, and by that I mean mechanisation. The cost of transmitting money by cheque is so enormous that this has to go.

We would like to see the banks getting more sophisticated, not necessarily in the UK and the US, but in other countries. We would like to see greater belp from the banking system there, on day-to-day cash management problems. The account officers will improve, as the quality of treasurers has improved. I think to some extent we lead each other. It is unfortunote that some banks send people to deal with fairly senior treasurers for some years who simply don't understand the concepts that they are talking about. I think ona would like to feel that the sort of people one will see will have the experience and ability when something is asked for to get it done, without bureaucracy, and quickly and efficiently. That is the plous hope that one would have for the future.

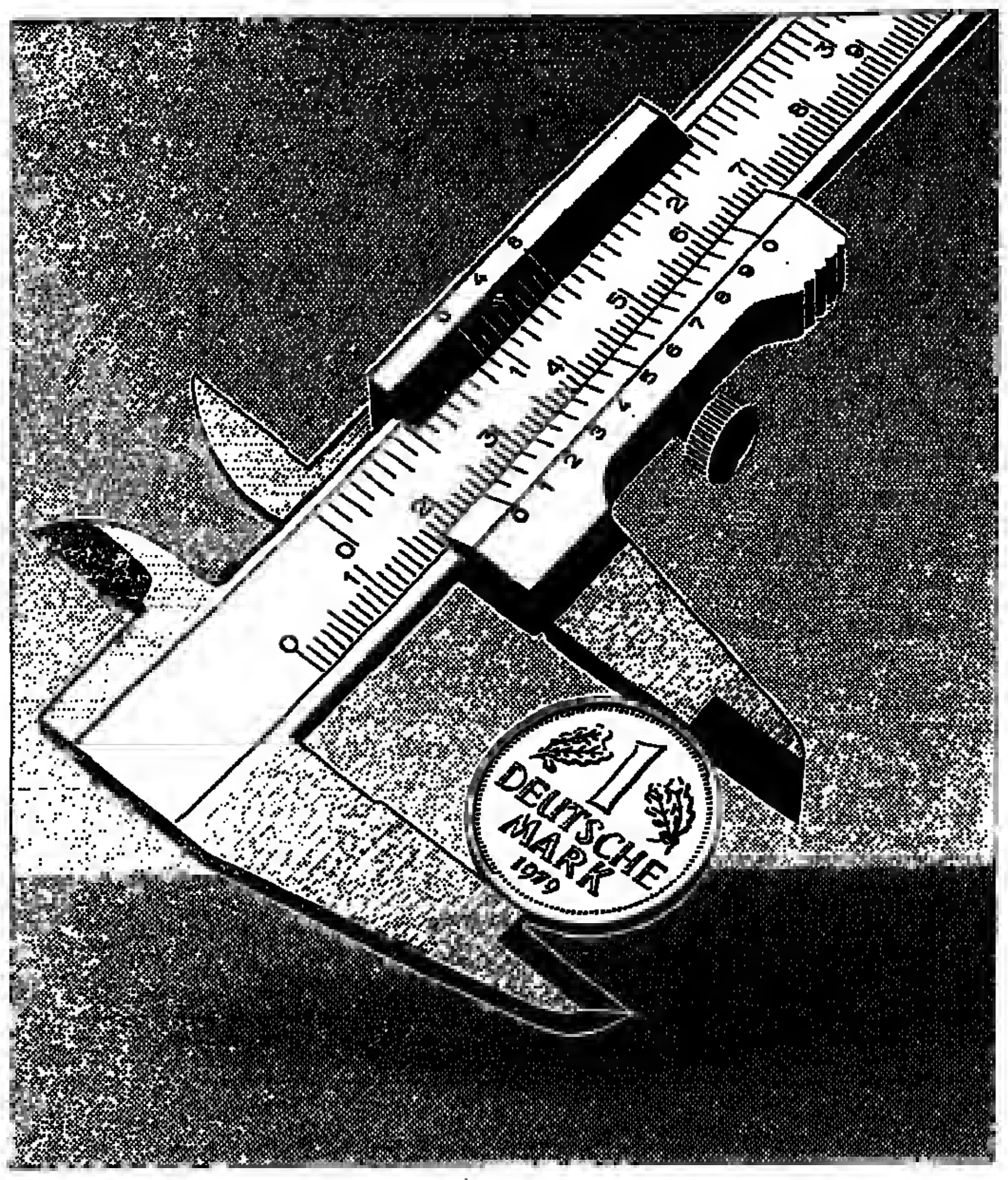
AK: something which I would like to see go is the wage packet. We are one of the last sophisticated countries who have still got it, and it is an anachronism.

KM: One problem which I see among the clearers is that their personnel practices are in many ways antiqnated, and this creates some of the rigidity in their systems. The most damaging example of that to tha consumer is Saturday closing. I do think the banks have got to a situation where they create unnecessary inflexibility.

AK: The big four have got to learn something about becoming less bureaucratic. And by that, one means two things. First of all, purely organisation: The other one is getting less scared of legal matters. They're terribly weak against lawyers. One particular area where we feel shoe-pinching is on larger export projects. One quite often needs the normal ECGD facilities; which is bread-and-butter which they love, it is nice and profitable and easy for them, and risk-free. But that quite often bas to be covered by a Eurodollar top-up facility, and the big four are way behind the other banks in offering Eurodollar facilities on a competitive basis.

Even if their rate is competitive, they will not write a really aggressive offer letter to a foreign customer, whereas an American bank will do it without batting an eyelid, and a merchant bank will do it without batting an eyelid. The clearer will not do this, because they are still frightened of Eurodollar lending.

DH: This is where the impact of the account officer comes in, and there is no question in my mind that the clearing banks would be even more comfortabla if they could somebow get this particular area properly organised.



Machinery for equity finance

ONE OF the features of the UK banking scene over the last 12 months has been the enthusiasm with which the main clearing banks have moved into the field of equity-type finance. Midland, NatWest and Barclays have all introduced venture capital schemes for small businesses, based either on straight equity investment or on loans with options or performance-related financing terms. And all three are making a much more determined drive to take equity stakes in larger established private companies.

Barclays has moved into this activity for the first time, through its new subsidiary Barclays Development Capital, while Midland and NatWest have deliberately adopted a higher profile as providers of equity finance, the latter through its merchant banking subsidiary, County Bank.

Lloyds is the odd man out—so far. It admits to be actively considering the possibility of introducing equity-type financing, and some of its competitors expect to see it in the market place in the not too distant future.

As you would expect, there are a variety of motives for this sudden change of course—and the order of priorities changes as you move up the banking hierarchy. Politics and public relations have had an impact in the higher echelons, particularly in the introduction of the venture capital schemes. It seems most unlikely that the banks will ever make much money out of such activities, but no one loses friends these days by supporting the small entrepreneur. Providing the costs can be kept down, this should be a good business to be seen to be promoting.

ENGLISH CLEARING BANKS' EQUITY-TYPE FINANCE

	Finance for	Type	Normal size	Board representation	Preferred size of equity stake
NatWest Capital Loan Scheme	Venture capital	Medium-term subordinated loan with equity options	£10,000/£50,000	No	Usually less than 25 per cent
County Bank	Sound private companies	Equity; loans with options, etc.	£50,000+ normal max. about £500,000	Not normally	15-35 per cent
Barclays Business Start loan	Venture capital	Five-year loans with interest calculated as a royalty on sales	£5,000/£50,000	—	—
Barclays Development Capital	Sound private companies	Equity-type finance	£100,000/£750,000	Normally	10-30 per cent
Midland Bank Venture Capital	Start-up capital; development and venture capital	Equity; term loans with options	£5,000/£50,000	Not normally	Minority
Midland Bank Industrial Finance and Midland Bank Industrial Investments	Private companies with good potential	Equity	£50,000/£1m	Normally	Usually 10-40 per cent
Midland Bank Equity	See article accompanying	—	—	—	—
Meritor (jointly with R-R Pension Trust)	Established companies with good records	Equity	£100,000/£250,000	Normally	10-49 per cent
Moracrest (jointly with British Gas Pension Funds and Prudential Assurance	Progressive private companies	Equity (plus convertible loans)	£200,000/£500,000	Normally	10-40 per cent

Approach

All the banks stress that their most important service to young companies will always be to provide overdraft finance as opposed to equity capital. And they are not at all certain about the likely level of demand for such funds. NatWest speculates that there might come a time when it could be making a score of such investments a month—but meantime its cautious approach is reflected in the fact that its scheme is not yet being offered on a national basis.

NatWest thinks it will take three to five years to establish whether this is going to be a viable activity for its branches, and describes its involvement so far as experimental.

The banks appear much more confident about the commercial rewards to be gained from investing larger sums of money in established businesses. They are reconciled to making poor returns in the early years when their costs will have to be covered out of the running yield on their equity portfolio. But they believe that the scope for capital gains over the long term will make this activity perfectly viable in its own right. In addition, it should benefit the rest of their business by broadening their client base.

All the new schemes have important features in common. The banks are very concerned to make sure that their presence as a shareholder does not mislead anyone into thinking that they will stand behind the company through thick and thin. For this reason they insist on taking no more than a minority stake in any business. NatWest is perhaps the most cautious of the three in this respect: it likes to keep its shareholding below 25 per cent. and does not normally seek board representation.

The three banks are also anxious to stress that their equity investments are financed out of their own shareholders' funds, rather than their depositors'. So far, the sums of money involved are much too small to have any impact on the clearers' balance sheets.

Specifically

But Midland—which is the most involved of the three with an overall portfolio of about £20m—admits that the time might come when it would be sensible to look for long-term funds specifically to match the equity portfolio. Given the illiquid nature of the underlying securities, the obvious place to look would be among the investing institutions rather than the general public.

The banks want to be seen as long-term investors in a company's shares. They will not put any pressure on their fellow shareholders to go public, or to seek a buyer.

Another common theme is that the bulk of the donkey work on the venture capital schemes is done at branch level, in order to save expenses. This apart, though, the three clearer have each taken different approaches to investing sums of up to about £50,000.

Midland was the first in the field. Midland Bank Venture Capital (MBVC) got under way last autumn, and has so far processed around 250 applications of which over 11 per cent have resulted in firm offers. Through MBVC, Midland invests in ordinary or preferred shares, or special term loans incorporating an equity option. The approach is made at branch level, and the local manager helps the applicant to prepare a standard presentation which details the projects markets and prospects. This presentation, together with the local manager's view of the applicant and a bit of supportive market research where appropriate, provides the basis on which Midland decides whether to make the investment.

To support this and its other equity activities, Midland now has a central staff of around 20 executives based in London.

NatWest, by contrast, has decided against taking a direct equity stake in small companies, at least in the early stages. In May it launched its Capital Loan Scheme, which makes sums of between £10,000 and £50,000 available in the form of medium-term subordinated loans with equity options. The life of each loan is up to ten years, and repayment terms take into account the company's anticipated cash flow. The rate of interest is fixed through the period of the loan, and NatWest does not look for security from the company for the loan. Instead it seeks directors' guarantees, to tie them into the business.

The options will usually be for less than 25 per cent of the equity, and will not be taken up for a number of years. In fact, it is a reasonable guess that few of the options will be exercised at all, since it will not be worth NatWest's while to take up its rights unless the company in question is a great success.

Barclays has come up with a third variety of venture capital, with its Business Start loan which it announced just over a month ago. This scheme provides loans of £5,000 to £50,000 over a five-year period, with no repayment of capital until the end of the period. Loans will be made available for up to 100 per cent of total spending for fixed assets, research and development, and anticipated losses in the first two years. No security will be required beyond the company's assets.

Payments on the loan will take the form of a royalty linked to the borrowers' sales—hence the equity nature of the money. Calculated from sales projections supplied by the borrower, the royalty will be designed to give Barclays a return of 12 per cent on the principal sum in the third year of the loan.

There are also a number of differences in the way that the banks are providing development capital—sums of £50,000 upwards. NatWest invests these funds through its merchant bank, County Bank, and Barclays Development Capital is a subsidiary of Barclays Merchant Bank. But Midland has recently pulled this activity back from its merchant banking side, and Midland Montagu Industrial Finance has become Midland Bank Industrial Finance. The move makes sense from a marketing point of view, it says, because of the role of the branches in providing business.

Venturesome

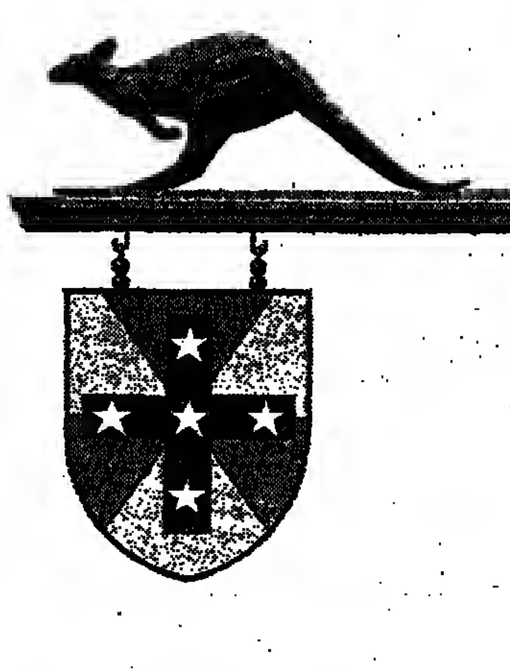
Midland has certainly become a more venturesome equity investor in the recent past. In May it was prepared to put as much as £4m in preferred shares into the car rental business of Godfrey Davis, as part of the (frustrated) deal with Europcar. It is also sharing in the National Enterprise Board's biotechnology venture through another subsidiary. Midland Bank Equity, which has been set up to take investments that do not fit comfortably into its other schemes. It does not expect to see a positive cash flow from biotechnology for about seven years.

In broad terms, though, the clearers are aiming at the same kind of target in the development capital field and are offering similar types of finance—investment in ordinary shares, preferred stock, or loans with rights to equity. They are by no means confining themselves to new equity issues. Roughly half their investments so far typically consist of shares which have been bought from existing shareholders. This is a function which in the past might well have been fulfilled by the stock market.

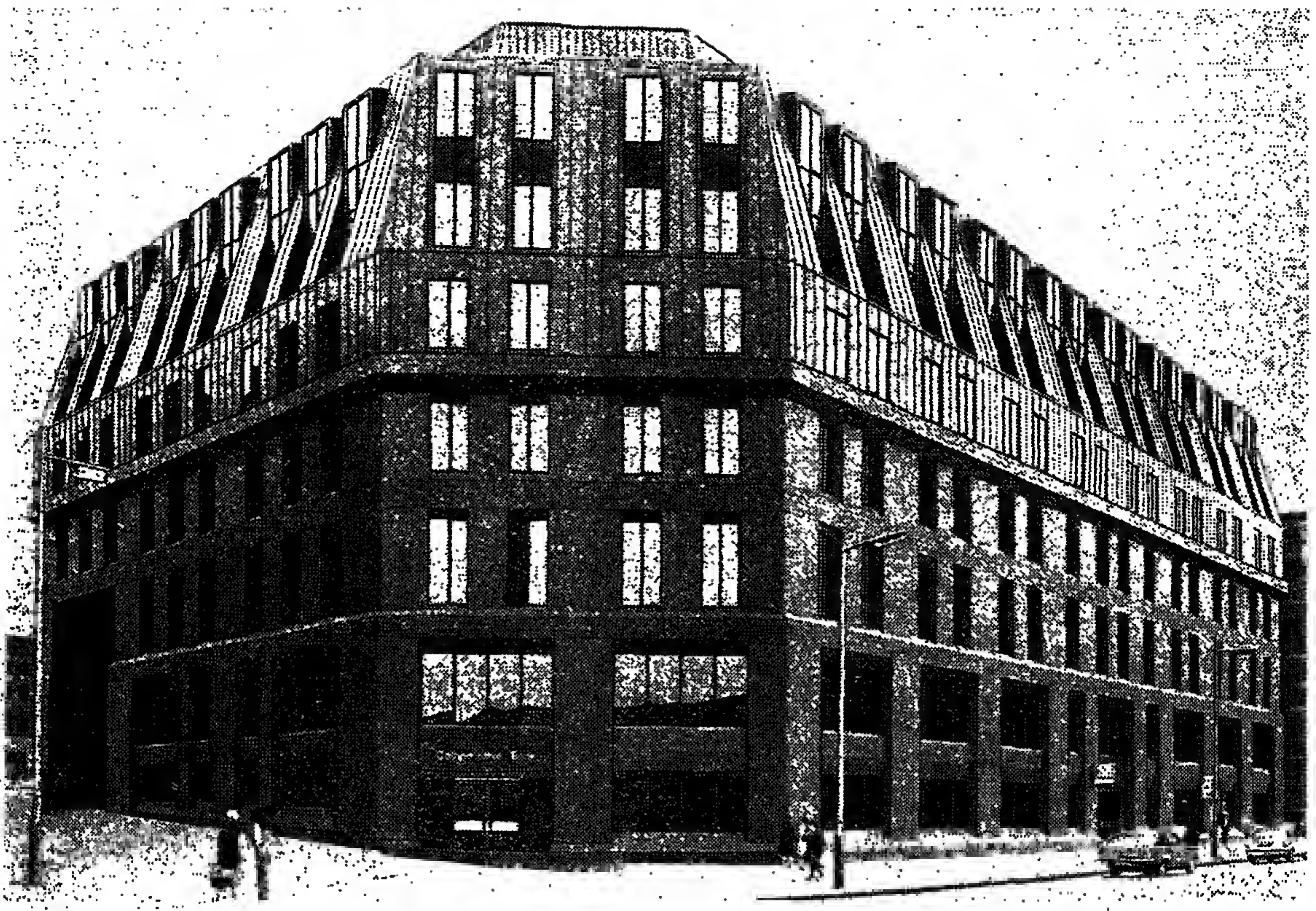
The banks face intense competition in this area, and their experience so far has not been uniformly happy. Midland's joint venture with the National Enterprise Board in the North East has quietly passed away, while the response to Moracrest (which it runs together with the Pru and the British Gas pension funds) has been uninspiring. Barclays has not exactly had an easy ride with its shareholding in Monotype Corporation, which it made some time before it set up its development capital subsidiary.

However, the clearers are well placed to succeed in this business. The contacts which ought to come through from their branch networks—and the strength of their names—makes them formidable competition for those institutions already in the field.

Richard Lambert



A new head office...



for the bank that means business.

Our new Head Office in Manchester–which includes the new Manchester Branch–is just the latest step forward by the Co-op Bank.

It follows the recent opening of our Customer Service Bureau in Skelmersdale which employs over 400 people. With the help of highly sophisticated computers, they already handle over half a million transactions daily.

Our present expansion is designed to bring benefits to both existing and new customers. And it's part of our continuing programme for growth.

Obviously, with around 750,000 customer accounts, dealing with our 65 High Street branches, 890 Handybanks and 3500 Cash-A-Cheque points...we need to think ahead. And it's such forward planning that has made us one of Britain's fastest growing banks.

65 Regional Branches. 890 Handybanks. 3500 Cash-A-Cheque Points.

co op Bank

Co-operative Bank Limited, PO Box 101, 1 Balloon Street, Manchester M60 4EP.

Your caring sharing bank

The merchant banks and their inner circle

NOW THERE are sixteen. There is not a lot of hurly-burly, as a rule, in the comfortable world of the Accepting Houses Committee (AHC), and one had become accustomed to the idea that seventeen of the City's plummiest merchant banks enjoyed an inviolable right to the moral protection of, and more practically the right to rediscount bills with, the Bank of England.

The missing face — though this is too easy a Kim's Game—is of course Antony Gibbs. It was fine for Gibbs to be 40 per cent owned by the Hongkong and Shanghai Banking Corporation; but the full bid which arrived on Gibbs' boardroom table in April was too much for the AHC, which demands of its members that they or their parents be full members of the British Bankers' Association. Gibbs' chairman Sir Philip de Zulueta protested: but he failed to melt the heart of the committee chaired by Mr. John Baring.

The AHC is the inner circle of British merchant banking. A factor of 22 separates the balance-sheet totals of its smallest and largest members, from the petite Rea Brothers to the internationally sized Kleinwort Benson. Outside it stand sizeable banks like County, a subsidiary of NatWest—though Samuel Montagu, a subsidiary of Midland, is in—and, until its recent takeover by Charterhouse, Keyser Ullmann.

But despite its exclusivity, the AHC provides a useful focus for observing the merchant banking community at work. It was, in general, a good past year for banking business. Corporate finance activity has been buoyant, with a high level of major acquisitions and mergers. New issues picked up, and lending to the private sector—where merchant banks are marginal providers, as opposed to procurers, of funds—expanded strongly as the corporate sector deficit increased. From the big, like Hill Samuel where the banking profits rose by a half, to the small, with Rea Brothers up a third, the last crop of annual figures has been good.

It is hardly surprising that these elegant and profitable concerns should find themselves the subject of predatory interest. Where the attention is unwelcome and foreign, the provisions of AHC membership may prove a useful defence—though it would certainly be argued in return that the provision to rediscount bills at the Bank is not an exclusive one, or guaranteed to last for ever, and that the fringe bank lifeboat showed the Bank of England quite willing to protect rather more than its own.

Squeeze

But save for those at the top of the table, merchant banks are likely to be loved more for their brains than their money. The squeeze on the balance sheet has come from many sides. The boom-and-bust of more or less everything in the early seventies left some nasty scars. Profits in subsequent years looked distinctly patchy after the palmy days of the 1960s. Inflation is not kind to businesses whose main asset is money. And the widespread tendency for strong family shareholdings put something of a damper on the raising of new equity capital.

These internal pressures were compounded by increasing competition in the banking marketplace. There were 348 banks in London in 1978, according to the Wilson Committee report, more than triple the number 20 years previously. Foreign-based international banks, led by the U.S. contingent, came into London, attracted by the development of Euromarkets, and put their broadly-based services on the doorsteps of British companies. The effect of such competition has been particularly felt in the syndicated loan market, where the signs have come only comparatively recently that margins, trimmed to wafer-thinness, may be returning to easier levels.

Big is, if not beautiful, then at least re-assuring and impressive when touting for banking custom. But small, too, has its particular virtues—certainly enough to dissuade most merchant banks from cobbling together mergers or associations aimed simply at beefing up financial muscle.

Expertise is not a function of size in, say, pension fund management, which is a steadily increasing source of income to the merchant banks, with an exceptional boost having been given by the introduction of the new State pension scheme.

It seems possible that the effect of competition in what is after all a service industry will be an increasing degree of specialisation, with banks acquiring very distinct reputations for particular kinds of work, and running down their less-respected lines. It is also being noted by some clients that the banks are becoming more aggressive in their marketing, propositioning companies with ideas rather than waiting to be brought in as midwives to a *fait accompli*.

Counteract

The independents must also work to counteract an endowment effect among the merchant banks owned by the clearers. When a small company has enjoyed successful growth at least in part, thanks to the understanding and advice of its clearer, the merchant banking arm of that clearer must be high in its thoughts when the time arrives for it to seek such services.

One area in which certain merchant banks have certainly made their presence felt in assisting emergent companies in the North Sea oil industry, where they are working with the British "wildcatters." Baring Brothers has significant holdings in Cluff Oil, and Kleinwort Benson has also played a part in financial packaging. Shipbuilding is another industry which has received the specific attention of merchant bankers, with Guinness Mahon having pledged its determination to act as catalyst in rationalising the industry and strengthening their customers' position through mergers and financial packaging.

It is customary, in looking forward to the future of City institutions, to talk of "testing times," and to foretell that some will fall by the wayside. But for the time being at least, the merchant banks would seem to be more desired than disdained by their fellows. Apart from the level of competition within the banking world itself, one of the most important factors determining their fortunes over the next decade is likely to be the nature of the trend towards conglomeration within industry.

The concentration of resources in fewer and fewer larger companies is in the first instance bad news for the merchant banks insofar as it reduces their work in mediating between companies. But it could also lead to the drawing in-house of many traditional merchant banking services by companies of a size and sophistication to support them.

Robert Cottrell

BALANCE SHEET TOTALS OF AHC MEMBERS

(latest financial year—£m)

Kleinwort Benson	2,388
Schroders	1,817
Hambros	1,669
Hill Samuel	1,54
Samuel Montagu	1 38
Morgan Grenfell	1,069
Mercury Securities	919
Lazard Securities	729
N. M. Rothschild	527*
Barings	474
Guinness Mahon	303
Brown Shipley	240
Singer & Friedlander	317
Arbuthnot Latham	129
Charterhouse Japhet	204
Rea Brothers	111

* As published in Financial Weekly 25/1/1980.

Financial muscle a big factor

OESERVERS HAVE been warning about the inevitable demise of the merchant banks for so long that it has become a cliche. Yet while the past decade has oot been kind to the breed, they have managed to soldier on. Inevitably they are facing competition in some parts of their husiness; but by and large, where they have establisbed dominance in a particular field of business they have tended to hold their own. The merchant hanking arms of the clearers have found the going in general rather tougb.

But in the longer term—with tbe slow shrinkage of the merchant banks' establisbed business as, for instance, mergers take their toll of clients—more important will be their ability to develop in new fields. And here the omens are not so promising.

The four big clearers have chosen different ways to move into merchant banking. Midland did so by taking full control of an establisbed merchant hank in 1973, while both NatWest and Barclays have built up their own arms, through County Bank in the case of the former and Barclays Merchant Bank in the latter. Lloyds was the latest in the field, and chose to use its international arm to spearhead the approach.

Three years ago a merchant banking division was formed in Lloyds Bank International, and a year later the bank took the development a stage further by establishing a Corporate Finance Diviaion. Mr. David Horne, a former director of the leading merchant bank S. G. Warburg, was appointed the directnr, and while the division is part of the international arm, it co-operates closely with tbe Lloyds parent as well.

The hank argued that it did not need to set up a completely new merchant bank sioce such a bank would duplicate many of the services already provided. But while it is probably ton early to reach any final conclusions, the bank does not yet seem to have been notably successful in winning new UK husiness in the core merchant banking areas such as mergers, offers for sale and placings.

Nor is all going smoothly at Samuel Montagu, the Midland aubsidiary. Here there has been a management shake-up and there appears tn have been a clash between the Midland clearing network and the merchant bank. The likely reason has been tbe development of regional specialisation in tbe Midland network — a transformation in effect into a series of mini merchant hanks.

Barclaya Merchant Bank and County Bank both produced profits nf about £7m last year, and while these appear small heside the results of the bigger independent merchant banks, once the non-bank profits are stripped out of the latter there is probably not much difference in scale.

County Bank in particular seems to have heen highly successful in obtaining core merchant banking business. In the latest year the bank handled a number of merger and take-over bids, and acied for Decca in the take-over battle between Racal and CEC. It is beavily involved in floating new stocks and is in the top 10 of merchant hanks both for number of clients and for rigbts issues.

One key indicator of the changed status of the clearers' merchant banking arms is the personnel they are now managing to recruit. In the last part of 1979, for instance, County gained Mr. Cornelius Smith from Schroders, Mr. Hamish Lamont from Hill Samuel, and Mr. David Gamble from Rothschilds. Similarly, Lloyds Bank International managed to recruit staff from Lazards and Morgan Grenfell.

The clearers' merchant hanking offshoots have two advantages over the independents. The first is sheer financial muscle. But despite this it is very difficult for them to hreak relationships which the independents have formed with the big corporate customers. While they can provide project fioance, selling advice is harder, and it is no coincidence that the clearers' offshoots tend to be big in the fund management field instead.

The second big advantage the clearers' offshoots have is access to small and growing companiea. The established merchant banks are not interested in corporate business worth under say £½m a time, wbereas the small man may go to his bank manager for £10,000. As his business grows the bank manager can hand him on to the bank's merchant hank, and while the clearers have first refusal, so to speak, on this new business, the independent merchant banks are seeing mergers and hankruptcies thin the ranks of their established clients.

It is not surprising that the newer entrants into merchant banking are keen on developing fund management strengths, since this rapidly growing business offers scope for competition. There is also competition to the merchant banks in this area from the stockbrokers, not to speak of iosurance companies.

In fact, this tenda to he the main area in which stockbrokers and merchant banks clash. In general they tend to respect each other's territory. The handling of the Lloyds Bank rights issue by brokers Hoare Govett on its own a cnuple of years ago was the exception rather than the rule.

Merchant banks are very hig in fund management, and the latest figures show that even in 1976 the accepting houses alone had £7.5bn under management. But virtually all stockbrokers now have some involvement in this sphere. This activity originally grew out of the servicing of relatively small private client portfolios and bas now expanded until the firms are competing directly with the merchant hanks and insurance companies.

The leader is Phillips and Drew, while other active firms include Rowe and Pitman, Grieveson Grant, Pember and Boyle and de Znete and Bevan.

A major selling point nf a number—though not all—of the broking firms is that they do not charge feea fnr handling

CONTINUED ON NEXT PAGE

The rare world of the discount house

THE MEN who run London's discount houses are resigned to criticism, not all of it entirely free from envy. They are used to being written off as a singularly unnecessary adjunct of the financial system, as people who usually manage to go home early in the evenings after enjoying an excellent lunch. At least the bit about their lunches has some truth in it.

The charge that they are unnecessary is the most worrying. The discount houses know that other financial systems run smoothly without their equivalents, and that the Bank of England, if it chose, could make them redundant tomorrow. In London they are the only institutions to enjoy lender of last resort facilities from the Bank (lender of first resort, it is cynically said at present, since the Bank has been acting to keep interest rates down and money granted at Minimum Lending Rate (MLR) is often the cheapest money going).

This privilege allows the houses to borrow short money and lend it out longer on a scale that dwarfs the size of their capital base. As a quid pro quo, they are required to underwrite the weekly Treasury bill tender. In certain circumstances it could be uncomfortable to be forced buyers of these bills (although they represent total liquidity to a discount house, which may sell them back to the Bank). In practice, the underwriting level for the tender is pretty low.

That the houses survive in their present form is plainly the result of the Bank's own preferences. It is administratively easier to influence the money market through 13 institutions than to deal with all the banks in London. And because of their smallness the houses cannot really afford to argue with the Bank for very long. Their relationship with the Bank is of crucial importance: it is the houses which, on a day-to-day basis, have to interpret the nods, winks, hints and nudges that are characteristic of the Bank of England's supervisory style.

This was particularly important when MLR was tied to the discount rate of Treasury bills at tender. The houses were put under intense pressure to bid one way or another, for although the authorities were able to override the formula linking MLR and bills, they were generally unwilling to do so. The houses then risked getting no bills if bidders from outside the discount market, less susceptible to the Bank of England's influence, came in in force.

Reinforces

This problem has recently surfaced again: although the bill tender no longer determines MLR, the Bank still seeks to influence it, and the houses have a genuine need for Treasury bills in their day-to-day operations. The Bank has introduced restrictions on outside bidders—the sort of action that reinforces fears that official overprotection of the discount houses might become debilitating.

As well as being able to borrow from the Bank, the houses are the only institutions able to create the additional reserve assets that the banking system needs. This they do by accepting secured call money from banks. In theory these are deposits that the banks may take back at any time; in practice they are left with a discount house for a well-defined period. When reserve assets in general are in short supply, because the banking system has been increasing its balance sheet through rapid lending, rates on reserve assets (including Treasury bills, eligible bills and Government stocks with less than a year to run) tend to fall, and the discount houses are able to pay low interest on call money.

The houses have another major problem to set beside their dependence on the status quo in the money market. Because of their exposure to the increasingly volatile interest rates of the London markets, their profits are subject to violent fluctuations. When interest rates are rising a house has to be more than usually nimble—and accurate in its readings of events—if it is to make money. If a discount house gets things wrong—and plenty of them did last year, when MLR, having looked as though it might come down from 14 per cent, was abruptly raised to 17 per cent—it can make very serious losses.

Losses are particularly damaging to a discount house since the size of its capital base (including inner reserves which are not publicly revealed) governs the size of book it may hold through a system of multipliers covering both the total book and the private sector part of it. So a house which loses money for two years running can be forced to shrink drastically. One way out is to raise new equity, as Clive Discount did recently under the slightly unusual circumstances of having just passed its dividend.

Widened

In response to worries about overdependence on their traditional role, the houses have made modest attempts to extend beyond it. There have been false starts—the buying (by several houses) of money broking firms was not a good way of spreading risk and even threw up some conflicts of interest; most of these have now been sold. But the houses have widened the range of instruments in which they are prepared to make markets to include, for example, the Eurodollar certificate of deposit. They are now (since the abolition of exchange controls) closely involved with the Eurosterling market. Some have gone in for fund management.

The houses remain active participants in the short-dated gilt-edged market, although now that five-year bond yields are very much below the cost of money, they necessarily move in and out of the market (often for only 24 hours) rather than holding a more permanent gilt-edged portfolio. Variable rate gilt-edged, on which the yield is linked to Treasury bills, are an exception to this rule; this instrument appears to have been designed with the discount market in mind—another example, perhaps, of the central bank's over-protection.

The recent ending of the "corset" controls on the banking system have meant that, as lending returns to the banking system, commercial bills are tending to be redeemed and replaced in the money market with certificates of deposit. This is not altogether welcome to the houses. Trading bills is their traditional business, and the growth of the commercial bill issue during the corset period has been meat and drink to them.

Eligible bills, unlike CDs, may be sold to the Bank of England, which has even obliged the houses by offering sale and repurchase agreements on these instruments. The houses generally hope that companies which have gained experience of commercial bill finance as a result of their banks' efforts to escape the corset will continue to use it—certainly the houses will do all they can to promote the bill.

Still, the threat of a change in the structure of the London money market will not go away. There were recently fears that a system of monetary base control might be adopted, which could have affected the houses' relationship with the Bank. That idea has apparently been scrapped, to the relief of the more conservative elements in Lombard Street. But the future of the houses in their present role is insecure.

Martin Taylor

Financial muscle

CONTINUED FROM PREVIOUS PAGE

large portfolios, although of course they collect normal commissions on transactions.

Merchant banks argue that such brokers have an incentive to follow an active switching policy to generate commissions. But the banks are probably vulnerable to charges of conflict of interest on this ground as well, since they may buy shares in bulk at favourable commission rates and charge a number of individual funds a higher rate, pocketing the difference.

Whatever the rights and wrongs, stockbrokers are paying a price for the development of this part of their business. Many merchant banks refuse to do deals on any scale with brokers like Phillips and Drew, on the grounds that they are competitors. Increasingly insurance companies are coming round to the same point of view.

Merchant banks have clearly been the aggressors with the brokers over the computerised ARIEL bargain-matching system, which allows people to deal direct. However, so far the system has not managed to establish itself, and several merchant banks have expressed dissatisfaction with their stakes.

In the City, where areas of operation are often determined solely by historical tradition, the long-term health of the merchant banks will depend to a large extent on whether they manage to seize and monopolise new areas of business. Clearly they are losing out at the moment on the new growing clients, while the ARIEL experiment does not give great grounds for hope.

Two new developments that may prove critical are the proposed financial futures market and the possible re-opening of the corporate debenture market. There will undoubtedly be a tussle with the brokers to obtain a share of these new businesses; and it would be a brave man who dared to predict the outcome.

David Freud

Growing incursion by foreign banks

FOREIGN BANKS, and U.S. banks in particular, have recently been making a big splash with their plans to offer retail banking facilities within the U.K., in direct competition to the domestic clearers and building societies.

At the same time they have been moving less conspicuously but with comparable agression into the UK corporate finance market. For many banks this is no new departure. The Americans, for example, came to London to service the requirements of U.S. companies operating abroad but rapidly saw the potential for lending to UK clients. Yet the abolition of exchange controls and, more recently, the unfastening of the "corset" have accelerated the momentum. British companies are now free to finance foreign business as much as they please and the foreign banks can often point to an impressive history of international corporate financing to back their case.

Margins on Euromarket lending have become less attractive for the major banks and domestic credit demand has tailed off in some countries, so the banks have been under obvious pressure to help fund the mounting financial deficit of UK companies. The margin on domestic sterling lending is still above that obtainable on Euro-sterling finance and British banks occasionally complain that, for European banks in particular, the UK represents a high margin lending area.

The Bank of England provides a useful breakdown of lending to the UK private sector, which reflects the thrust of the foreign banking effort. The latter's main success appears to be in the area of non-sterling lending, where foreign and consortium banks in aggregate pushed up their advances by 27.4 per cent in the year to mid-July. Total loans and advances in July were around £6bn, or nearly double the amount outstanding to UK banks, which had shown only a 6.2 per cent rise over the same period.

Encouraged

The statistics do not tell the whole story, since the strength of sterling has encouraged companies to convert a good deal of foreign currency lending back into sterling. The non-sterling advances of the London clearers, for example, were down by 23.6 per cent on July 1979, which hardly reflects the true progression of their borrowing.

Nonetheless, the figures do suggest that the foreign banks have been meeting with considerable success in the area of non-sterling financing. The Japanese, for example, have increased their advances by over 50 per cent—admittedly from a low base.

The principal target area is the medium-sized UK company with foreign or export interests. The largest companies are themselves financially sophisticated and have always employed a mixture of domestic and foreign banks, while the smaller companies are happy with the facilities provided by a local clearer.

The foreign banks, with a high proportion of their balance sheet denominated in non-sterling currencies, are an obvious place to look. They can provide foreign currency facilities and special areas of expertise.

Nordic Bank, for example, is actively seeking to develop its UK corporate activities, while continuing to leave the bulk of its loans in the Nordic area. It is hoping to court not only those companies with interests in Scandinavia but any UK corporation with specialist needs.

Not all banks are following this route. Some see their role in London still as wholesaling. Westdeutsche Landesbank services the needs of medium-sized companies only if they are off-shoots of domestic clients It would not view its function as a provider of funds to a Midlands engineering company, for example.

The rise in non-sterling lending by the foreign banks may in part be a result of decisions by foreign-based companies to convert their sterling liabilities into their domestic currency. Mr. David Vincent, a vice-president of Chemical Bank in London, says that some Swiss and German companies have been switching their borrowings into Swiss francs and Deutsche Marks.

Equally, however, UK companies have been substituting multi-currency lines for sterling facilities. This gives them a greater degree of financing flexibility and can save on foreign exchange commissions. The foreign banks are happy to provide the service.

Not surprisingly, the growth in sterling lending by foreign banks has been less rapid. The increase of 21 per cent to £6.8bn in the year to mid-July compares with a 27 per cent rise to £38.4bn among the UK competition. Here again there are significant distortions created by the gradual unwinding of the corset and the fact that high money market rates have recently encouraged British companies to fall back on sterling base-rate facilities provided by the clearers.

British banks are conscious of the foreign competition but not as yet too alarmed about it. Some believe that medium-sized companies obtaining finance from overseas banks may tire of the adventure. They point out that while their loans are often competitive in terms of interest rates and maturities, there are hidden drawbacks. Commissions can be high and the documentation required is comprehensive. A loan document with a British bank is a brief affair, but its American counterpart can run to 20 pages or more, stuffed with ratios of every kind.

British banks also argue that not all UK companies are yet aware of the pitfalls of foreign currency financing, in particular the fact that exchange losses are not normally allowable for tax. They claim also that foreign banks have led the way in bringing lending margins for UK companies down to sometimes unacceptable levels, a charge hotly refuted by the foreign houses.

Supplement

By international comparison, foreign banks have a large share of the UK domestic market. This is not in itself surprising. The development of London as an international banking centre has brought well over 300 banks to the city and it is natural that they should have sought local business to supplement their international operations. The Bank of England has never placed them at a real competitive disadvantage to their UK counterparts.

Not all banking centres have taken such a charitable view: It is notoriously difficult for foreign banks to penetrate the Japanese domestic market and in West Germany, too, many foreign banks claim to operate under major constraints. Bundesbank figures show that branches of foreign banks provide less than 1 per cent of the total credit to the non-banking sector. Their overall business volume represents less than 2 per cent of the total.

The closest approximation to the UK is the U.S. where British banks in particular have been expanding rapidly into the domestic market. Last month's announcement that Midland was planning to pay $820m for a majority holding in Crocker National Corporation was the latest in a succession of moves by the UK clearers into the U.S. markets. As the 14th largest bank in the US., Crocker provides a solid foot-hold in the domestic market. The operations of foreign banks in the U.S. has become a political hot potato but UK banks are already well enough placed to reply across the Atlantic to the incursions made by foreign banks on their home territory.

John Makinson

UK BANKING X

The rest of the survey discusses developments in the retail sector of banking, with particular attention to some of the overseas groups involved.

New initiatives in the retail sector

THE UK is probably the most interesteing retail banking market in the world at present. This is because it has such a large unbanked population which is now attracting great interest from both domestic and foreign banks.

Unlike just about every other major developed country, where more than 90 per cent of adults are reckoned to have cheque accounts, only between 50 and 60 per cent of the UK adult population is banked. As might be expected, the banking habit is strongest in the A, B and C1 socio-economic groups. It is weakest among manual workers, where only a third at most have bank current accounts.

The big clearing banks lay much of the blame for the UK's backwardness in retail banking at the door of the weekly wage payment system. There appears to be a strong connection here, because almost 80 per cent of manual workers are still paid weekly and in cash. The so-called Truck Acts, which entitle workers to be paid in cash, are an important factor in preserving this position.

The connection appears to be borne out by the experience of European countries such as France and the Netherlands, where the abolition of weekly wages and the transformation of the whole population into a banked community have gone hand-in-hand—roughly in the period between 1965 and 1975.

It is now apparent that the next decade will see a similar transformation in the UK.

In theory at least the big clearing banks are ideally placed to penetrate this market—estimated at around 11m adults—because of their extensive branch networks. Sir Anthony Tuke, retiring chairman of Barclays Bank has led in public statements about the matter. In the bank's latest annual reports he told shareholders: "The real challenge for us over the next few years will be our ability to create the necessary modern banking systems and facilities to attract profitably the 11m wage and salary earners who today have no active clearing bank account." Sir Anthony warned that success would depend on whether the clearers would be able to "provide members of the public with cash where they want it, at all hours of the day, seven days a week, and upon the development of electronic funds transfer and plastic card technology."

Despite their extensive branch networks the clearers face a number of problems in dealing with the British worker. Traditionally their staff have been trained to look after the needs of the middle and upper classes, their restricted hours of opening show little regard to the needs of working people, and their services are still built around the cheque or current account designed for people paid monthly.

The clearers have long contended that a mass changeover to monthly wage and salary payment was an essential prerequisite to the provisions of profitable banking services for working people. More recently, however, this has been watered down somewhat. Today the objective is to get people to convert to fortnightly payment, at least as an interim measure.

There are indications that the clearers are getting their message across to some employers. This is borne out, for example, by a number of recent pay agreements which include provision for the payment of wages through bank accounts.

While this is going on the clearers have been chipping away at the "unbanked" in a number of new ways. Most recently all of the Big Fnur clearers have announced a series of new savings accounts designed to compete with those offered by the building societies, which have themselves been the most popular depository for individual savings in Britain for more than a decade. The banks hope that when people come to open savings accounts they can also be sold chequebook accounts and other services.

Another initiative has involved the provision of the in-house store credit card. Again, by getting people who may well not have a bank account to use a Barclays Bank-run store card, for example, the hope is that a gradual conversion to full retail banking services will be brought about.

The gradual move of the clearers into the provision of mortgages is another way in which new bank customers could be captured.

At the organisational level major changes are either taking place or being contemplated within the clearers' branch networks. Midland Bank is currently involved in an unprecedented programme to transform many of its traditional branches into what it calls service outlets designed to serve personal bank customers. As part of the process Midland is taking much of its back office work out of the branches into regional operations centres, thereby allowing more space for customer contact. Large corporate banking business has already been transferred to a new regional network.

Operational

The scheme should be fully operational by 1985 when the clearing bank will comprise 2,500 service outlets, many manned by women, which will be aimed at the retail market and the transmission of money and selling a wide range of personal financial services.

Developments along these lines put a question-mark over the future of the clearers' own finance houses or HP subsidiaries, which have traditionally been used as a vehicle to cater for the borrowing needs of the weekly paid. One possibility being considered by one major clearer is that the finance house subsidiary should now become the main vehicle for its thrust into the unbanked field.

While the clearing banks have been searching for new ways of attracting the Great British Unbanked, an entirely new force has emerged in the retail banking marketplace. This is the Trustee Savings Banks movement, within which 17 regional savings banks co-operate on a national basis. Its significance is discussed in another article in this survey.

The clearers are also worried about the building societies gradually becoming retail banks. At present the societies attract far more personal savings than the banks, but they are now being challenged for both savings and mortgages by the big clearers. The eventual outcome is disputed within the building society movement, but some of its leading executives are prepared to say that a move to provide more banking services is inevitable.

While all this is going on among domestic participants in UK retail banking a whole series of new foreign-owned institutions have begun to emerge. These fall into two groups. At least four U.S. banks and one Canadian bank have subsidiaries operating in the retail market, while a further five non-banks from the U.S. also have subsidiaries in the UK.

The bank-owned group includes Citibank, Royal Bank of Canada's Western Trust and Savings, Security Pacific, Bank of America and First National Bank of Boston.

Among the non-bank-owned group are names like HFC Trust, Beneficial Finance, Avco, Associates Capital Corporation and Commercial Credit.

There are a number of similarities between these new entrants to the market. All of their UK subsidiaries have, or had, some identification in the past with the finance house business. Today most are at various stages of transformation into retail banks offering people both savings, loans and current account services.

These North American institutions have highly ambitious expansion plans as they go out to attract the unbanked population of Britain.

Michael Lafferty

Credit outside the main lines

THE CREDIT industry outside the major banks and their finance house offshoots is diffuse and fragmented, and almost exclusively concerned with finance for the consumer.

The retailers have long offered credit facilities to customers. The major stores groups in particular have a tradition of operating in this field, and companies like Great Universal Stores and House of Fraser run in-house banking operations. Mail order, too, provides the consumer with effective if limited forms of credit. And check and voucher trading is an equally important source of retailing credit.

Where the independents overlap most with the banking system is in the area of personal loans, but even here there is a considerable gulf between the two lending philosophies. The check and voucher traders operate large personal loan books, but their business is carefully tailored to the weekly wage earner, an element of the UK population which the clearing banks have—until recently—chosen largely to ignore.

Of the two companies that dominate the documentary credit business—Provident Financial and Cattles' Holdings—the former is far and away the largest. Prividen't's share of UK check and voucher trading is something like 60 per cent but personal loan business is just as important. At the end of last year group receivables totalled £193m of which around half stemmed from personal loans.

The company places a ceiling of £1,000 on personal loans but on average actual loans tend to be much smaller. On a one-year repayment cycle, Provident lends on average around £180 per loan, rising to around £300 over a two-year repayment period. In practice, though, repayment periods are far shorter. Of receivables due at the end of last year, some 62 per cent was accounted for by amounts due for repayment in six months or less.

In broad terms a one-year loan of £100 undertaken with Provident would be repaid as £135, while extending the credit to two years lifts the repayment sum to £158. This is sound business for the lender by any standards. But Provident does have to finance its agents, who take 7½ per cent of all they collect, and the company does not—as yet—have the ready access to the cheapest available finance in the way that a clearing bank operates.

Provident also argues that so far as the bulk of its customers are concerned the real cost of loans is meaningless. What the weekly wage-earner demands is cash in hand, freedom of spending power and small readily identifiable amounts of cash which have to be handed over on a set day of every week.

Much in the same mould, Cattles operates from a geographical spread only just short of that at Provident, although its business is spread more thinly. Cattles' has 150 High Street branches under the Shopacheck label, taking in South Wales, Northern Ireland, Scotland, the Midlands and the North-East.

Personal loan business averages out at around £100 per loan and repayment is restricted to six months. A recent pilot scheme aimed at extending this form of credit for a full 52 weeks left the company in no doubt that it should stick to a half-year repayment cycle—a time-scale that customers identify with far more readily.

Cattles' operations take in insurance broking and property but the bulk of profits stems from check trading and its loan portfolio. It has been pushing hard for new loan business in recent years. All business is financed from short-term borrowing from the banks. No views are taken on the future course of interest rates and as a result all group debt has a maturity of less than 12 months.

At Provident personal loans provide the group with most of its profits. These totalled £9.2m pre-tax for 1979. Documentary credit brought in £1.8m, personal loans provided £8.2m and the rest of the business mostly made small losses.

Provident's personal loan book has the advantage of a full banking background in that the company owns a small bank, the People's Bank, which operates from eight branches, three of which are in the South of England. The company plans to open some half a dozen further outlets over the next year or so.

The People's Bank operates a full banking service and also stays open six days a week on a nine to five o'clock basis. There are no bank charges, current accounts earn 2 per cent interest and deposit accounts repay 15 per cent, which is a point or so above that offered by the clearing banks. Cheque books come with a £50 cheque guarantee card.

Jeffrey Brown

THE UK and IRELAND

Trustee Savings Bank

IT HAS taken only five years to turn the sleepy old trustee savings banks (TSBs) into a dynamic new force in British banking. Since the Page Committee's recommendation that the TSBs should come out from *behind the Government's skirts* they have done everything asked of them and are now well on the way to becoming fully recognised and independent banks. There is only one fly in the ointment — the customers are not showing quite the same amazing turn of speed as the management.

During the 1960s the TSBs began to distance themselves from the National Savings Bank and introduced current accounts with cheque books, as well as selling life insurance and their own unit trusts, and offering a wider and more interesting choice of savings accounts. Recently they have been doing everything they can to improve the yield on their assets by lending money to customers, which they were forbidden to do until 1976.

The TSBs have a lot of work to do if they are to achieve their target of lending out about one third of their deposits by the mid-1980s but they already have the main planks in place. These include their own credit card and a battery of personal loans, as well as overdrafts, house purchase loans and even loans to small businesses. As customers have been rather slow to take advantage of these novel facilities the TSBs have just arranged to take over UDT's well established hire purchase business. This will massively increase their lending.

Transition

In achieving the transition from their old form to their new, the TSBs have to tread carefully to avoid alienating their existing customers. At present TSB rates of interest are thoroughly uncompetitive as they build up the reserves they will need to qualify for fully recognised banking status. So far they have been quite successful in retaining their deposits and in getting customers to switch over from the moribund savings accounts to current accounts.

There is even a danger that the TSBs will move out of the proverbial frying pan into the fire — from shadowing the National Savings Bank to shadowing the clearing banks. For example, the introduction of business accounts and business loans has rather spoilt their claim to be the one bank where personal customers never have to take second place behind the needs of business customers.

With over 10m customers and about £6bn in deposits, the TSBs already compare in size with the retail business of the biggest clearing banks. They already have the sort of balance between current accounts and savings accounts that the clearing banks are seeking to achieve. With their down-market image and unique Paysave scheme for deducting savings directly from wages they have a head start in the forthcoming battle for the accounts of the unbanked population. Indeed, when the Page Committee argued that the TSBs should become the "third force" in British banking it may well have set its sights too low!

By a Correspondent

Co-operative Bank

THE CO-OPERATIVE BANK is not co-operative at all in the European sense of a locally based bank with local decision-making—quite the reverse indeed, because it is one of the few banks with a branch network covering the whole of Britain. *Originally established* as the internal banking department of the Co-operative movement, it has only recently been a serious contender in the retail banking market. But with a new head office opened last week and a new branch opening today, it is riding on the crest of the wave.

As things stand now the Co-operative Bank is still relatively small, with about 700,000 customers and £800m in deposits, although it has enjoyed a decade of hectic growth. Among its strengths are its political affinity with the trades unions and with the Labour Party, which brings it business from Labour-controlled local authorities and working men's clubs, though there is talk of a trades union bank which could bring it some competition.

Another strength is its unique branch network. There are only 66 full branches but these are supported by two types of service available at Co-operative retail outlets. At nearly 900 "Handybank" points customers have access to most banking services, while at nearly 4,000 "Cash-a-cheque" points they can withdraw cash from their accounts. Despite these facilities, there does not seem to have been any great upsurge of interest from Co-operative Society shoppers.

Revolving

None the less, the bank has found a way of reaching out to those who do not yet have accounts by issuing "Handycards"—a budget account card which allows customers at over 1,000 Co-op shops to purchase goods on credit on a revolving basis. Most of the 50,000 "Handycard" holders are women without bank accounts. Not only are they potential account holders; they represent a valuable lending outlet for the Co-operative Bank, which has always tended to be rather underlent.

With endorsement from the trades unions and free banking for all those who remain in credit, the Co-operative Bank is in a good position to continue its rapid growth by picking up the accounts of workers opting to receive their wages through the banking system. In the long term the success of the bank may depend on having made the right decision in identifying itself so closely with the Co-operative movement. The Co-operative Building Society decided that such identification was more of a liability than an asset when it changed its name to Nationwide. As it happens, Nationwide Bank would be really quite appropriate.

By a Correspondent

Credit Unions

FRIEDRICH WILHELM Raiffeisen's name is virtually unknown in Britain but in other countries he is honoured as the founding father of the world-wide co-operative credit movement. In several major countries this movement has been hugely successful — in Germany and the Netherlands as co-operative banks and in Canada and the U.S.A. as credit unions.

In Britain there has been little interest in either branch of the Raiffeisen ideal, but there are signs that things are beginning to change. Last year credit unions were legitimised by the Credit Unions Act, which provides a framework—albeit a rather restrictive one—in which they can grow.

The key feature of credit unions is that members have to be linked by a common bond, which may be locality, employer, church or even ethnic background. One of the main distinctions between credit unions and most other financial institutions is that members are positively encouraged to borrow money as well as save it. The common bond is held to make lending much safer as borrowers will do everything to avoid letting down their friends or colleagues. Certainly credit unions will lend to people who would be rejected out of hand by conventional lenders. In the UK members can borrow at a fraction of the cost they would have to pay elsewhere.

Counselling

Another feature of credit unions is the social role they play by credit counselling — helping people out of the financial straits they have got into. Credit unions in North America frequently have to disentangle members from their hire purchase and credit card overcommitments.

The North American credit unions started from the same modest beginnings as in Britain but they now offer a full range of services including money transmission, house mortgages and even their own credit cards. The bigger ones have networks of bright shiny branches, with fully computerised accounting and the latest in branch counter terminals. In Canada nearly 40 per cent of the population belongs to a credit union and in the U.S. the figure is over 20 per cent. In both countries credit unions have been growing significantly faster than the banks.

At present there are roughly 70 credit unions in Britain, with a total of 10,000 members and deposits of about £1m. Despite their tiny size, it would be unwise to dismiss the challenge of the credit unions out of hand, given the success in Britain of the building societies—a movement which had very similar beginnings. However, there must be a suspicion that the movement has come to Britain too late to represent a serious challenge to either banks or building societies, especially if, as seems likely, the established institutions take a greater interest in providing consumer credit at competitive rates during the next decade.

By a Correspondent

National Girobank

THE SAD truth is that National Girobank, through no fault of its own, has failed to fulfil the objectives of those who campaigned for its establishment. Instead of offering a dynamic alternative to the clearing banks, appealing to those without bank accounts and providing a slick new system of money transmission, it has become little more than a pale imitation of the clearing banks.

The postal giro concept is based on a single document which serves to debit the payer's account and credit the payee's account. In many Continental countries the postal giro established such a pre-eminent position that banks had to introduce their own version to compete. The situation is quite reversed in Britain, where Girobank had to offer its customers cheques to compete with the banks.

As with telephone systems, there is little point in joining the system until there is a worthwhile number of customers already. Girobank has fallen well short of its targets and with only 850,000 customers it is doubtful if it will ever have enough to get giro transfers properly established as a national payments system. So Girobank will have to be judged on its merits as a conventional bank.

Among Girobank's more interesting services are a modest overdraft facility on current accounts, deposit accounts which pay a bonus calculated on the minimum six-monthly balance, excellent international links through the brotherhood of postal giros, and the now famous cash receipt services for big retailers and public utilities.

Coverage

As a postal bank Girobank has no branches of its own but for drawing and paying-in cash customers can make use of the *network of over 20,000 post offices* throughout the UK. Their longer opening hours and better geographical coverage should give Girobank a distinct advantage over the clearing banks, but there is a feeling that all is not quite as efficient as it should be. This is reinforced by Girobank's planned experiment with a number of specialised Girobank counters at post offices.

With deposits of some £400m Girobank is really rather small and represents no threat to the clearing banks. High interest rates have enabled it to show a profit but it is very exposed to any fall in interest rates. The number of customers has grown by nearly a quarter in the last 18 months but Girobank desperately needs to increase the value of deposits per customer. Its offer of free banking to those in credit is very attractive but does nothing to encourage balances to rise. Nonetheless, Girobank will no doubt continue to play a supporting role in British banking, though not the starring role that its promoters originally had in mind.

By a Correspondent

Allied Irish Banks

AFTER SEVERAL years of building up its branch network in the UK, Allied Irish Banks still feels it has only touched the tip of the iceberg. At present it has 33 UK branches and plans to open five more in *the next two years.*

In the early days, says the bank's area general manager for Britain, Mr. Gerald O'Mahoney, the emphasis was strongly ethnic. The decision to enter the British retail banking market was taken in 1970 because of the limited expansion prospects in Ireland. With over a million adult Irish in the UK, the market here was felt to be wide open.

But the main thrust is no longer towards the ethnic market. At present, around 60 per cent of the bank's UK business is reckoned to be ethnic, a proportion which is on the decline. Its branches are no longer designed to cater mainly for Irish customers, and it is *trying to attract other clients* who want more of a personal service than the large clearing banks provide.

"We believe the future of the bank here is bound up with our breaking more into the non-ethnic side of the market," says Mr. O'Mahoney. "Emigration to the UK from Ireland is virtually a thing of the past. We are now tailoring our approach to second-generation Irish and the non-ethnic market."

Through one of its three original constituent banks, Provincial Bank of Ireland, Allied Irish Banks has been represented in London since 1825. The second UK branch was established in 1932 in Birkenhead, on Merseyside, to serve the cattle trade.

Starting with the London district of Kilburn, which has a large Irish population, the bank opened ten more branches in Britain from late 1970 to early 1973. The present total of 33 includes 13 in the London area, three in Glasgow and four in Birmingham. In addition, its finance arm, Allied Irish Finance Company, has 19 branches and is also expanding.

Allied Irish Banks' ideal new customer is the small businessman or the individual who feels *his income and prospects* entitle him to a high degree of service and advice in comfortable surroundings. Its branches are appealingly decorated and laid out to project a warm, up-market image, says Mr. O'Mahoney.

It has also had a merchant bank in the City since 1973, while its international activities have recently been enlivened by the break between the Irish pound and sterling.

By far the largest slice of the bank's foreign business—30 per cent of the total—is in the UK (including Northern Ireland). It also has branches in New York and Chicago. Last year profits dipped from Ir£41m to Ir£40.4m, because of rising costs, inflation, central bank curbs on current account fee rises, and the consequences of joining the European Monetary System.

Andrew Fisher

Bank of Ireland

WITH ITS 16 UK branches, *Bank of Ireland* is less extensively represented in UK banking than Allied Irish Banks, which it leads in total profits. Bank of Ireland has proceeded at a more leisurely pace since it put its first branch this side of the Irish Sea in London's Shepherds Bush area, followed *closely* by another in the City. One of its three founding member banks, National Bank, *actually* had *offices* in Britain in the middle of the last century.

Mr. Louis Hansard, Bank of Ireland's assistant general manager in Britain, estimates that about 30 per cent of its UK business is non-ethnic, the aim being to enlarge this still further. As with Allied Irish banks, the chief emphasis is on building up a close relationship with the customer.

Although small accounts are not turned away, the better heeled customer is clearly the most sought after. "We are aim*ing for more cost-effective banking*," says Mr. Hansard. In a bid to catch more of the over-60s market, it recently launched the Golden Years Club, offering higher rates of return for elderly savers depositing £500 or more. So far *the scheme* has attracted a great deal of interest from a market that the bank feels has been neglected.

Bank of Ireland's present branch network in Britain includes six in London and three each in Manchester and Birmingham, with three more planned in Glasgow, Croydon and Southampton. The bank is looking at other likely locations and may well decide on two or three more next year. Some of its existing branches are on sites where the major UK clearers moved out through rationalisation.

The bank also has a finance subsidiary called British Credit Trust (BCT), bought a couple of years ago from Northern Foods at a cost of £11m. The purchase was made to add some balancing consumer business to the industrial thrust of its existing finance house business. BCT now has 37 branches.

For the bank as a whole its *financial year to March 31, 1980* was not an easy one. Profits fell by Ir£6.5m to Ir£42.2m before *tax.*

A.F.

OFFSHOOTS FROM PAKISTAN

Habib Bank

HABIB BANK, established in 1941, is Pakistan's oldest and largest bank. Currently its capital funds stand at over US$50m, while its total asset base exceeds US$3.5bn.

Habib first started operating in the UK with a London office opened in 1961. The chain has developed to a current total of 23, including seven branches in the London area, two in Birmingham and three in Bradford, with the remaining 11 dotted around the country in areas such as Manchester, Luton, Blackburn, Glasgow and Sheffield.

In the global sense Habib's major expansion of its branch network has been carried out in the UK—apart, of course, from Pakistan. The parent bank's latest report and accounts dated the end of 1979 showed that of the 76 overseas branches it had at the time (there were 1,812 domestic outlets) 22 were in the UK. The next largest grouping was 19 in the United Arab Emirates followed by 14 in the Sultanate of Oman.

Consolidation

In recent years expansion of new branches has been modest. At the beginning of 1978 Habib had 20 branches in operation. Two were added during that year but since then only two more have been opened and one was closed in 1978. The Habib team do not foresee any real step-up in the new openings programme. Their plans are to open a couple more branches over the next five years. They say that their future development programme envisages expansion with "more and significant emphasis on consolidation."

One of the main difficulties, it appears, in developing new outlets is in getting hold of trained staff. In addition, the bank is reluctant to expand rapidly, preferring they say, to take it steady and make sure that internal systems remain foolproof.

Like most other Pakistani banks Habib's main London office offers a full range of international banking operations. Deposit facilities in all currencies are provided for members of the public and corporate bodies, and the bank caters for finance requirements in sterling and foreign currency. The other services include international trade financing and general advice for individuals and companies. Habib is a "recognised bank."

The branch network dotted around the country is basically there to service the Pakistani community with the usual personal banking facilities. The branches also play an important role in channelling funds from Pakistani residents back to their dependents at home. In 1979 the Habib Bank as a whole handed remittances of this kind amounting to 8.9bn rupees (£383m) against 6.3bn rupees (£270m) in 1978. These came mainly from the UK, U.S. and Middle East.

Terry Garrett

National Bank of Pakistan

MR. I. U. KHAN was with the National Bank of Pakistan when it opened its first UK branch in London during 1954 with a staff of just seven. Since then the bank has opened two more in London and eight other regional branches in areas such as Birmingham, Bradford, Glasgow and Manchester. Mr. Khan is now general manager in London and his staff has expanded to 60 in the Finsbury Circus office alone. The bank has achieved the status of a "recognised bank."

As with most banks with international aspirations, the National's move in setting up an office in London was an obvious step. Today the parent bank, which is probably the second largest in Pakistan, has offices spread across the world from New York's Wall Street to Hong Kong.

From Finsbury Circus a full range of international banking services are provided, with the bank's main corporate business geared to export and import operations. However, the bank says that it is in no way tied to trade with Pakistan.

The parent bank's last balance sheet dated December 1979 showed total deposits and other accounts at 18.6bn rupees (£800m) of which some 18 per cent was shown as deposits abroad from banks. Total advances, taking in loans, overdrafts and bills, were shown at 9.4bn rupees (£405m), of which over 12 per cent was outside Pakistan. Obviously these figures include more than the London operation but they do give some indication as to the bank's activities outside its home country — activities in which London must play a significant role.

Population

The bank's development of branches outside of London is described by Mr. Khan as having been steady. It is nearly five years, however, since the bank opened a new branch. In 1975 it opened two. Attempts have evidently been made to open new branches, but for one reason or another opportunities have fallen through. Certainly there are plenty of areas with sufficient ethnic population to support a new branch where the National Bank of Pakistan is not represented. Indeed, there are plans afoot to open branches in Edinburgh and London's Balham.

One factor behind the sluggishness of new openings is that the five Pakistani banks—Allied, Habib, Muslim Commercial, National and United—were all nationalised in 1974. Since then it has made little sense to compete actively with each other and thus it must be increasingly difficult to find sites where a branch would not take business from one of the other nationalised banks. Moreover, despite nationalisation Mr. Khan says that his bank still regards itself as a conservative bank which sees no need for rapid branch expansion.

All new openings by any of the nationalised Pakistani banks have to be cleared by the central bank, the State Bank of Pakistan. It is up to the individual bank to put forward a case for the viability of a new branch before it will be given the go ahead. No proposals by the National Bank for new branches in the UK have been blocked by the State Bank but the over-view the governing bank takes must be some inhibiting factor for all the five banks.

Obviously the regional branches are developed to catch the local immigrant population, though of course there is no restriction on customers. The National Bank's policy is not to try and take on the traditional UK clearers as some foreign banks are doing in the field of lending.

For the future Mr. Khan sees the UK operation becoming more involved in the international scene and though National Bank may be small competition for some of the giants in London it is in there fighting for the business.

T.G.

Bank of Credit and Commerce International

FORMED IN 1972, the Luxembourg-based Bank of Credit and Commerce International is the fast expanding brainchild of Mr. Agha Hasan Abedi. Born in India, Mr. Abedi worked with the Pakistani Habib Bank and helped establish the United Bank of Pakistan before setting up BCCI in 1972. Backed by Middle East money and the Bank of America, BCCI was launched with an initial capital of just $2.5m.

Today it boasts 45 UK branches, of which 27 are in London, and a further 145 offices dotted around another 40 countries. Initially BCCI's activities were concentrated in the Gulf area but as the oil money flowed towards Europe, in particular London, BCCI followed.

The balance sheet for the group for the year ended December 1979 showed total resources standing at $3.9bn and BCCI made a pre-tax profit of $34.8m in the year. In all about a quarter of its business is in the UK.

Qualified

However, possibly because of its mushrooming growth, BCCI suffers from a poor image in the financial community. This has not been helped by having its last accounts qualified by auditors Ernst and Whinney in respect of unprovided loan losses relating to Iran. BCCI says that it has never written off any loans since its formation. The balance sheet includes a loan loss reserve of $24½m; BCCI's exposure to Iran was put at $8m while the management thought the loss would not exceed $2½m.

A more damaging blow to its image came this summer when the Bank of England refused to give BCCI full "recognised bank" status. Instead BCCI has been classified as a "licensed deposit-taker," the lower of the two categories under the Banking Acts.

As the UK arm of an overseas bank BCCI can still go on calling itself a bank in this country but only as long as the description "licensed deposit-taker" appears in equal prominence wherever the bank's name is used. BCCI has until next June to conform to this standard.

Initially Bank of America held a 25 per cent stake in BCCI but it was clear some years ago that the relationship had become uneasy. Bank of America wanted a direct involvement in the Gulf area rather than through BCCI. In July this year it finally completed the sale of its holding to other BCCI shareholders.

In London BCCI's management claims that the bank handles a great deal of Arab money. It is also trying to make its name in the merchant banking field aiming, its booklet claims, to provide a "highly personalised and professional service."

In the provinces BCCI situates its offices largely to service local Asian communities with personal banking facilities. BCCI says that the majority of its UK branches are making a profit though some, which have been relocated and incurred extra expenditure, take time to get back into the black.

T.G.

Muslim Commercial

MUSLIM COMMERCIAL Bank, which was established in Pakistan in 1948, first made its presence felt in London during 1965. Before bank nationalisation in Pakistan in 1974 the bank had developed only six branches in all and four receiving booths, which just took in money from Pakistani immigrants to send back to their families at home. Since nationalisation the bank has undertaken an aggressive expansion plan in the UK.

To date Muslim Commercial is operating 25 branches in the UK, of which three are in London—a Park Lane office having been opened this year—four in Bradford, six in Manchester and six in Birmingham. Others are spread from Glasgow to Bristol. In terms of actual UK branches this puts Muslim Commercial, which ranks No. 4 in Pakistan, ahead of even Habib Bank. The bank has "recognised bank" status.

Customers

This rapid expansion is obviously aimed at the (Pakistani) immigrant population and there are areas yet to be tapped, according to MCB. For one of their branches to be viable the MCB team believe that they need around 3,000 private customers. Mostly these customers would fall into the category of manual workers. For the UK as a whole around 53 per cent of the population has a bank account but among the immigrants the percentage is far smaller. Thus to support a branch the ethnic community would have to be well over 6,000.

One of the problems that Muslim Commercial faced in its regional banking development is illiteracy among Pakistani immigrants. Some cannot write their names and the managers actually had to check back to see what the UK clearers did when victims of the last war were unable to sign their names because of disablement.

The bank's international activities are centred around trade with the Third World. Muslim Commercial was largely dependent on trade with Pakistan. This has become less the case in recent years, though it still accounts for the lion's share of business.

The current recession is having an impact on activity as the volume of UK export contracts. For example, Ford was exporting around £1 of tractors a year to Pakistan, business that Muslim Commercial handled, but trade this year is down for obvious reasons. Also imports into the UK from Pakistan have flattened out.

Meantime its branch network is feeling the pressures of a growing number of unemployed among the Pakistani communities as the recession deepens. Nevertheless the parent's domestic business is growing and the London operation is still looking to the future with enthusiasm.

T.G.

THE AMERICAN CONTINGENT

Citibank Trust

WITH 41 branches in the UK and loans outstanding of around £185m, Citibank Trust, the subsidiary of the New York-based Citibank group, is the prototype organisation in the battle for a stake in the retail banking trade.

Less than a fortnight ago Citibank Trust decided to step up its attack on the UK market by bringing forward the conversion of all its 41 branches into "Citibank Savings" outlets from 1983 to 1981. There are already eight trial offices operating in London and the Midlands.

Citibank, which can trace its UK roots back to 1964 when it was a finance house called Laurentide Trust, launched its first salvo at the four major clearing banks last May when it started offering competitive banking services in the eight trial branches. The results have been successful enough to warrant a national acceleration of the retail banking campaign, according to Citibank.

When the First National City Bank of New York first acquired the Laurentide Trust in 1967 there were six branches in operation. The newly renamed National City Finance Trust was effectively a hire-purchase group which specialised in motor-car finance and personal loans. In 1972 it becama known as Citibank Trust and a year later there were some 25 hranches after the acquisition of the Campbell and Lincoln Finance group, a Lincoln-based finance house.

American overlords of the Citibank empire bave made no secret of their desire to penetrate the UK retail banking sector and plans have heen laid carefully for the long march. While no one is suggesting that Citibank can cause mnch pain for the likes of Barclays or National Westminster, there is no doubt that Citibank's goal is to siphon off saviogs funds from the major UK banks and the building societies.

Mr. Paul Coben, a director of Citibank Trust, explained that even a slow growth rate in the UK savings market represented a large movement in monetary terms. This was because the size of the UK savings market is around £90bn, he said.

The bank's services include something called a "Tandem Account" which allows customers 13 per cent interest on a modified current account and lets them borrow up to 30 times the valne of their monthly paid subscriptions.

Citibank is hoping to open as many as 100 branches by 1983, thns forming a considerable national network. The plan has the full backing of the New York parent organisation, no small consideration in an often risky business.

But at Barclays Bank, the biggest of tha big four, senior management is hardly daunted by the Citibank challenge. Mr. Deryk Weyer, vice-chairman of Barclays, said recently that he was "a bit cynical" about new retail banking operators because he felt they simply took advantaga of the high interest rates currently prevailing.

"We will meet the competition head on," he said. In fact, Mr. Wayer's pledge has been borne out to a certain degree in recent weeks as each of the four major clearing banks has rushed out its new savings schemes to attract more funds.

There can be no doubt that Citibank means business and will move forward with its expansion plans. The conversion of all 41 branches into "Citibank Savings" outlets is expected to cost nearly £1m, but there is more than just a financial commitment. The sector is botting up and it looks as though Citibank wants to lead the charge.

Alan Friedman

BankAmerica Finance

AMONG THE organisations involved in the struggle for a piece of the retail hanking pic, BankAmerica Fioance, the UK subsidiary of the world's largest hank, is not the most active participant.

Bank of America, the U.S. parent, has made noises abont entering the British market and has even begun to recruit additional staff for the UK offensive, bot the BankAmerica Finance operation is still a finance bouse rather than a fully fledged retail banking business.

Last March BankAmerica Finance annonnced plans to cballenge established UK finance houses with a large programe of hranch expansion and new deposit schemes. The idea was to enlarge the BankAmerica chain in this country from its present total of 12 to around 30 hy 1985, a fairly modest increase.

At the same time, the BankAmerica gronp, which had a turnover of £30m last year, will expand its finance services to include first-time mortgages, white goods and industrial plant and machinery financing as well as the HP motor car business.

Mr. Geoff Marsh, managing director of the Reading-based company, also revealed plans to offer competitive interest rates on deposits of £1,000 or more. The goal was to become a High Street activity throughout Britain and to attract money away from traditional institutions.

Mr. Marsh said recently that the average size of a BankAmerica account is now around £30,000. He said the number of customers were equally divided between corporate and individuals.

Although there were no immediate plans to go after savings accounts, Mr. Marsh did say that he was interested in bringing in smaller savers. He boped that eventually BankAmerica Finance would enter the retail banking market with fuller services, hnt at present it was a process of gradual development.

"We now have a staff of 140. By 1985 this will be abont 250," he said. The first objective, be explained, would be to attain ranking among the top 12 UK finance bonses.

Mr. Marsh also noted that BankAmerica Finance is at present on the Bank of England's list of applicants under consideration to become a fully licensed deposit-taking institution. "We bope to receive this status in less than a year," be said.

Meanwhile the organisation continnes to grow. By 1981 the amount of ontstanding loans should be near to £55m, making the gronp a serious contender if it sbould decide to accelerate its entry into retail banking.

A.F.

Consumer finance groups

THE OFT-TESTED precept that Britain is a soft market for imported goods and services is about to be tried once more. This time overseas companies are not trying to sell cars, refrigerators or hi-fi equipment; a number of U.S. financial institutions and conglomerates are setting up what may come to be a serious challenge to the big clearing banks for retail customers.

Leading names in the U.S. consumer finance market are in the vanguard. Their base in the UK may be small as yet but it is designed to grow quickly. The leading retail banking entrants include Avco Financial Services, Beneficial Finance Company, HFC, Commercial Credit Services and Associates Capital Corporation.

Avco, a major U.S. finance company, joined forces with Red Dragon Securities earlier this year and is thus free to offer a full range of banking services in addition to the traditional Avco business of personal loans and credit sale agreements.

It already operates from 78 branches spread across the country and loans outstanding to customers total £42.2m. Red Dragon has 5,000 customers and one branch but AFS is a very much larger animal with 52,700 loan account customers, including 1,800 secured or mortgage loans, and 22,300 credit sale accounts. Like many of these newcomers it is still deciding whether, and how, to offer credit cards. Avco is linked with Visa in the U.S. and that might provide the possibility of a tie-up with Barclaycard in Britain. The bank is also considering a link with Lloyds which already backs Avco's cheque guarantee card.

HFC, based in Bracknell, is still pressing for clearing bank backing for its cheque guarantee card although it admits that the clearers appear to have closed the door on the recognition of new cards. HFC is, nevertheless, confident that the clearers will be under real pressure from the new-style consumer banks. It already operates from 92 branches and aims to open 25 new branches each year. Its net receivables at the end of last month stood at £63.4m, of which £5m was secured.

Facilities

It offers the full array of banking facilities, with the exception of credit cards, and a typical unsecured customer might borrow £450. Secured loan balances average around £4,000. The bank offers continuous, or revolving, credit facilities where the usual loan outstanding is about £900.

If there is such a thing as the ideal unbanked potential customer, the banking manager, Mr. John Dalton, thinks it would be somebody who has paid council rent on the dot for 20 years and thus represents the ability, the stability and the willingness of a good customer.

There must be a suggestion that if the clearers have not sought to bring the mass of unbanked adults into the fold in the past they will not be bothered to compete against these newcomers.

Mr. John Sutton, assistant vice-president of Beneficial Finance, finds the clearers "relatively competitive" although, like HFC, Beneficial and its Security Trust subsidiary do not have clearing bank recognition of their cheque guarantee cards.

Beneficial too is growing fast. It currently has 56 branches and aims to double that number in the next five years. Like its peers, the group sees a definite consumer preference for opening during shop hours and the lending emphasis is clearly slanted to unsecured loans.

Only 25 per cent of its near-£60m loan portfolio comprises secured lending on which the average outstanding balance is £2,700. Unsecured loans typically stand at a balance of £700.

All these banks have concentrated on personal loans for their initial development for the unsecured loan market is certainly an area where clearing banks have been unwilling to penetrate too deeply. The customer would certainly pay for the trust of these aggressive retail banking entrants; Avco, for example, charges a true rate of 42½ per cent for a £1,000 unsecured personal loan, some 10 points over the applicable loan rate charged by a clearer—bank owned-finance house.

It is unlikely, however, that Avco, HFC and the rest will be content to rest for long on this once particular platform. Credit cards will come, if the customer wants them, and there must be a reasonable chance that the banks will use their U.S. links to join some of the international credit card systems.

Ray Maughan

Boston Trust

"WE BELIEVE that money should be marketed in a fashion similar to other consumer products: it fulfils a need, can be obtained from various sources and, as with the High Street retailer, the outlet from which it is obtained should measure up to certain criteria—convenience, service and visual appeal."

This is the philosophy at Boston Trust, the UK subsidiary of the First National Bank of Boston. Through its 19 "Moneyshops" around Britain, this bank aims to offer [illegible] services in the [illegible] is one of a [illegible] sized [illegible] challenge to the major clearing banks with new [illegible] programmes.

Boston Trust [illegible] in 1972 at a time [illegible] several foreign banks were considering penetration of the UK retail banking sector. Mr. Edgor Borton, general manager of Boston Trust, explained that market analysis in the early 1970s suggested to the U.S. parent that the British consumer was underborrowed by international standards.

"We looked closely at the Crowther Report on consumer credit and controls and decided that although the laws would be modified credit would be a greatly expanding business in this country," he said.

Boston Trust remained in loss until 1976 and even last year it produced pre-tax profits of just £33,842. But Mr. Borton maintained that this was not important. "Our profit record has not been brilliant, but we have been concentrating on establishing a foothold," he commented.

The approach of Boston Trust is very much geared to loans for consumer durables, cars and household goods. Although the group offers a variety of retail banking services such as chequeing and savings accounts, nearly 100 per cent of its business is in lending.

Mr. Borton said the average size of a loan is around £1,000 and the effective interest charge on unsecured loans came to 31 per cent. On second mortgages and other unsecured loans the rate was closer to 27 or 28 per cent.

Perhaps more than any other group, Boston Trust is thoroughly imbued with the concept of attracting the borrower off the street. The group says it faces similar problems and overheads to those experienced by any retailer. These include rent, rates, advertising costs, wholesale prices, staffing costs and after sales service.

According to Boston Trust, Moneyshops have to sell their products through advertising and other forms of promotion, rather than expecting the customer to make the first approach.

Unlike some of its competitors, Boston Trust is not planning any quantum leap in its national network of branches. "We have been growing at a rate of two to four new openings a year and we will continue to do so," said Mr. Borton. This means that next year the group should have 22 or 23 branches in operation.

Outstanding loans total just £18.2m, making Boston Trust one tenth the size of competitor Citibank Trust. But Mr. Borton is not daunted and said the recent expansion plans unveiled by Citibank will benefit others.

"If Citibank is successful in making borrowers out of depositors, this can only help our cause," he said. It is a cause which will be pursued with some determination as the small retail banks plough on.

A.F.

Western Trust

WHEN THE Royal Bank of Canada paid more than £10.5m last year to acquire a small West Country consumer finance company called Western Trust, a number of City eyebrows were arched. The price valued the company at more than twice its net asset value and 15 times fully taxed earnings.

In the next few weeks, however, it is expected that all will be revealed. It already seems to make good sense to obtain a foothold in the rapidly changing retail banking sector in the UK and when Western Trust holds its long-awaited Press conference it is likely that a major new programme of savings and loan products will be unveiled. At the same time Western Trust may join several of its competitors in announcing plans to expand its network of branches from its present 18 to as many as 100 over the next few years.

Unlike some of the competition, Western Trust has roots which go all the way back to 1935, when a small hire-purchase company called Western Credit was started in Devon. No thought was given to anything like retail banking at the time; it was more a question of ice boxes and model T Fords.

But in 1967 the group decided to offer retail banking services to the public. Within a short time it had launched its "Independence Plan," a programme which offered savers the right to borrow 30 times the amount of their monthly subscription.

This offer, conducted through the post, was copied by several other finance houses. In 1971 Western Credit decided to take matters a step further and opened its first "Moneycentre" branch in Cornwall.

Then, in 1974, Western got caught in the fringe banking crisis. Although it survived intact, the buffeting did not help its balance sheet as sources of money began to dry up.

In 1974 the Philadelphia National Bank moved in and took over the group. It planned to develop the handful of branches into its own UK base, but soon found this a costly proposition.

Last year the Royal Bank of Canada (RBC) appeared on the scene and the old Devon-founded group changed hands once more, this time for more than £10m. At tha time there were 15 retail bank branches and around 100,000 customers. By last month the number of customers was 113,000 and 18 branches were operating according to the company.

Lord Hardinge, a vice-president of the Royal Bank of Canada, has described the Western Trust business as a part of RBC's expansion plans in Britain. RBC is anxious to establish a network of branches with full banking services.

With around £80m of outstanding loans and £55.5m of deposit money, Western Trust is now reasonably placed to make a lunge at the UK retail banking trade. Its forthcoming announcement will present the results of a two-year long market research project about what kind of services UK savers desire.

A spokesman for Western Trust said that some of the problems in the UK banking business included a lack of convenient hours, long queues at lunch-time and no payment of interest on current accounts.

"We are going after the unbanked and the unhappy," he said. He added that this could mean a particular interest in blue-collar workers who do not normally deposit their wage packets. But Western's target group could also include those who are simply fed up with difficulties at the major clearing banks.

A.F.

UK BANKING XIV

This page carries profiles of four leading personalities in the banking world whose careers are entering a new and challenging phase.

Timothy Bevan

BARCLAYS BANK

TIMOTHY BEVAN, who takes over the chairmanship of Britain's biggest bank next year, is relatively unknown outside the close-knit world of the London clearing bankers.

Apart from occasional speeches at Institute of Bankers functions his rise through the ranks at Barclays has gone virtually unnoticed. Unlike some other clearing banks, Barclays likes to find its chairman from inside the bank, and from inside one of the founding families if at all possible. Mr. Bevan fits the bill on both scores.

Unlike other clearing banks which have recruited prominent public figures to fill the chairman's post, Barclays has traditionally relied on professional bankers and Mr. Bevan is very much a professional.

In common with Sir Anthony Tuke, whom he succeeds next year, Mr. Bevan, aged 53, belongs to one of the founding families. He is a direct descendant of Silvanus Bevan who joined James Barclay's Bank in Lombard Street in 1767 and later became a partner. His great grandfather was the first chairman of the new joint stock bank, Barclay and Co, which was formed in 1896.

Mr. Bevan's introduction to the bank followed a familiar course. After a stint in the Welsh Guards, he was called to the Bar in 1950 and joined Barclays the following year. There followed a whistle stop tour through the lower echelons of the bank including brief interludes in unlikely places like Preston, Bolton and Luton before he was whisked off to Paris to join Barclays Bank DCO.

After nine months in France he was off again, this time to Cyprus, before returning to Britain where he soon emerged as a local director of Barclays Lombard Street local head office—a sure sign that he was being groomed for higher things. In 1966 he was appointed a director of Barclays Bank and a vice-chairman in 1968. Five years later he was elevated to the rank of a deputy chairman of the whole Barclays group.

While Mr. Bevan's family connections undoubtedly helped him during his early career in the bank, his appointment to the chairmanship of the group was by no means a foregone conclusion the day he joined the bank. Much of his time has been spent on the UK side of the business and under his leadership the bank has become probably the most aggressive and innovative of the large clearing banks in the domestic market.

Barclays took the lead in pioneering its own credit card, Barclaycard, and its Business Advisory Service to help small and medium size companies solve their financial problems has proved most successful.

In addition, while he was in charge of the UK operations Barclays took two decisions which with hindsight look very well timed. The bank decided to pull out of United Dominions Trust before the secondary banking crisis and a few years later it moved back into this area and bought up Mercantile Credit which has flourished under Barclays control.

Maybe there was an element of luck in the timing of these decisions but they do reflect the knowing hand of an experienced banker. Barclays chairmen may not be renowned for the quality of their speeches, but at the end of the day they tend to be very good bankers.

William Hall

Christopher Castleman

HILL SAMUEL

IT IS not only youth which distinguishes Mr. Christopher Castleman, newly appointed chief executive of banking and finance group Hill Samuel. But his impressive achievement in capturing so powerful a post at the age of thirty-nine, with advancement to chairman clearly signposted, was inevitably the focus of attention when the appointment was announced in June.

Mr. Castleman returns to London from Johannesburg, where he was managing director of the Hill Samuel Group (SA) and its merchant banking subsidiary Hill Samuel (SA) since 1978. There he divested the subsidiary of its property interests, boosted merchant banking profits by a half and left Hill Samuel (SA) enjoying a record year in 1979-80.

He entered the present group through M. Samuel and Company, which he joined in 1963 after graduating from Clare College, Cambridge, with a first-class degree in law. M. Samuel merged with Philip Hill Higginson, Erlangers in 1965 to form Hill Samuel.

Reputation

It was in Australia that Mr. Castleman established his reputation. Appointed general manager of Hill Samuel Australia in 1970, he steered the operation through the perilous waters of the Australian stock market's boom and subsequent crash. "He managed," says present HS chairman Sir Robert Clark succinctly, "not to lose us any money."

One observer of the boom cites Mr. Castleman as "perhaps the most capable of all the overseas merchant bankers who arrived in Australia in the late 1960s." He is given special credit for seeing before anyone else the approaching crash of Mineral Securities, an investment group with which Hill Samuel was closely associated.

Mr. Castleman, an old Harrovian, made an impressive public debut on the Hill Samuel main board at last month's annual meeting. The directors were closely questioned by pressure groups about the relationships between the bank and the South African Government. He proved a ready source of facts and figures, and an articulate defender of the arguments of outgoing chairman Lord Keith.

The annual meeting itself crystallised the transition between old and new at the bank. Lord Keith stepped down after 36 years, during which he rose through the ranks of Philip Hill and Partners. Sir Robert Clark was there for a final taste of the chief executive's seat before succeeding Lord Keith, though as an executive chairman, while Mr. Castleman poised himself for Sir Robert's vacant chair.

Sir Robert is 56, and has said that he expects to cede his role to Mr. Castleman within four years. The City waits expectantly to see the new man's style, for there is certainly a feeling that Hill Samuel's full potential has yet to be seen. Last year's profits were flat, though there are bullish things being said for the current period.

With a strong corporate finance background, Mr. Castleman should be particularly well-placed to preside over the largest and plummiest list of corporate finance clients in the City. One of the problem areas which held last year back — Eurobond dealing — has been discontinued, with insurance broking the area most conspicuously in need of care and attention.

Robert Cottrell

David Scholey

S. G. WARBURG

ONE OF Warburg's major clients calls David Scholey "the man who spanned the gap between the uncles and the nephews at Warburgs." He has the trust of the old guard—the bank's founder, Sir Siegmund Warburg, has alluded to him as an "adopted son"—and yet at 46 years he is not remote from the younger men who make Warburgs tick. From this bridging position he is joint chairman, and effectively chief executive, of the bank.

A well-rounded man in every sense of the word, he is equipped for the role. He exudes a comfortable sense of competence which is felt warmly in Warburg's rather spartan corridors. Yet in merchant banking terms he seems to be, as Sapper would say of Bulldog Drummond, "a large man who can move at surprising speed."

A business friend calls him "perfectionist almost to a fault" and yet, curiously, "a little disorganised." From his handling of the media in the build-up to a big deal one knows him to pay daunting attention to detail, consistent with Warburg's traditions.

Bustling

The disorganisation plainly does not derive from vagueness but from the bustling pace he sets himself. He likes to have a hand in the things that matter, rather than to sit aloof delegating. He works long hours. He does with little sleep. He is known for rushing into meetings late.

Mr. Scholey was educated at Wellington, then Christchurch, Oxford, and joined Warburgs in 1965 after working first as an insurance broker in Canada and with the merchant bank Guinness Mahon. He rose through the banking side of the bank which deals with acceptance credits and interbank business, but rapidly became involved in corporate finance and most areas of the bank's activities.

Today he is viewed in the bank as an all-rounder rather than as a specialist in any particular discipline. He displays the range of his grasp at the "morning prayers" with which Warburg executives start the day. "He has a striking ability to ask exactly the right question," one colleague says.

At a time when merchant or investment banks no longer appear to have any pre-ordained and naturally profitable niche in the business of finance, Warburg manages almost uniquely among the accepting houses to hold its own against the big European universal banks on one hand and big U.S. investment banks on the other.

Yet it is still too early to say whether Mr. Scholey has the "touch" to take Warburgs from strength to strength. In a recent interview Sir Siegmund showed clearly how Warburg's was built upon instinct, not upon a corporate plan and management system, but upon an intuitive seizing of chances and a highly idiosyncratic way of choosing, motivating and controlling people. The interview also left the impression that such a business can prove more than usually ephemeral, unless an exceptionally fortunate succession is achieved.

Yet Mr. Scholey faces problems different from those faced by Sir Siegmund, who in the early post-war years was a Jewish newcomer trying to break into the heart of the City establishment from scratch. He has the second generation problem of keeping profitable an organisation which is 650-strong—in the eyes of the founder worryingly overmanned. The firm is now at the top of the banking establishment and has an international dimension—most visibly through the Warburg-Paribas-Becker investment bank in New York.

Perhaps in "adopting" David Scholey the master saw enough all round ability to run the enlarged ship, but also enough instinct to keep the old magic going too.

Nicholas Colchester

Mr. C. Castleman

Mr. Tom Bryans

Tom Bryans

TRUSTEE SAVINGS BANKS

FOR TOM Bryans, chief general manager of the Trustee Savings Banks Central Board, the deal with United Dominions Trust announced last month is arguably the highlight of a long and distinguished career. For two years Mr. Bryans, a Northern Irishman who first joined the Belfast Savings Bank in 1938, battled personally to remove the many tax and regulatory hurdles which might have frustrated a TSB takeover of UDT's £450m instalment credit business. Now that the secret is out, the move has been acknowledged as perhaps the most important step so far in the TSB's progress to full banking recognition.

A detailed programme for the TSBs' future was only drawn up between 1973 and 1976, the year of the Trustee Savings Bank Act. This followed the Page Committee report of 1973, which recommended that the TSBs, at that stage closely linked with the National Savings movement, should be taken completely out of the public sector and become a genuine "third force" in banking. More than anyone else Tom Bryans is identified with the success of this policy to date.

"One of the requirements of the Treasury was that we should build up our reserves, which were practically non-existent in 1976," he admits. "This we have succeeded in doing quicker than expected and it is because of this that the Treasury has allowed us for the first time to use our own commercial judgment in arranging the UDT deal. This is certainly an achievement."

Educated at Royal Belfast Academical Institution, Mr. Bryans's first job with the TSB was soon interrupted by the war. In 1946 he rejoined the Belfast Bank as a branch inspector before being posted to Dungannon, Co. Tyrone, in 1953 as branch manager. He remembers his 13 years in Dungannon with particular affection, playing senior rugby for the town well into his mid-40s.

Then came a call back to Belfast to review and rejig the Belfast Bank's accounting systems—the result being the first fully integrated computer system in Western Europe. In 1971 Mr. Bryans became general manager of the TSB of Northern Ireland before his elevation to Central Board in 1976.

One of the big questions now facing Mr. Bryans is the ultimate ownership of the TSBs. As constituted under the 1976 Act, they have a statutory responsibility to the Treasury which behind the scenes is quietly supervising each new TSB development in the banking arena. With among other services their own insurance subsidiary, unit trust funds, credit card, cheque account, the TSBs are certainly unrecognisable from the unsophisticated working man's piggy bank created by the Rev. Henry Duncan, founder of the first savings bank at Ruthwell, Dumfrisshire, in 1810.

On the other hand, with the vast majority of its £5.5bn of funds still lent to the public sector, the TSB's loan book is still in the early stages of development. Hence the logic of the UDT deal, which means that the expensive loans financing the instalment credit operation can be replaced with cheaper TSB funds.

Exempted

The TSBs, according to Mr. Bryans, is within two years now of full banking recognition, and responsibility for their supervision is at some stage expected to pass to the Bank of England under the 1979 Banking Act. At the moment the TSBs are exempted from the Act's requirements. As unincorporated societies without shareholders, however, the problem of accountability has still to be resolved. "The TSBs feel that they need some form of incorporation, either under the Companies Act or in some other statutory form. At the moment there are a number of ideas but nothing has been decided yet."

Meanwhile Mr. Bryans is keen to banish the old-fashioned idea that the TSBs are trusts supervised by boards of trustees. Both inside and outside the bank he has been attempting to replace this image with a more democratic ideal. "Banking is about two things," he observes, "money (the raw material) and people (the staff and customers)."

Tim Dickson

MILL CLOSURES RAISE STRATEGIC CONSIDERATIONS FOR BRITAIN

The pulp industry in a vice

WILLIAM HALL looks at why integrated pulp and paper mills are in difficulties in Britain and, on the right, at the plight of the UK forestry industry.

AT ASHTON Sawmills in the Wye Valley they produce the stumps for County Cricket matches and the net posts for the Wimbledon tennis finals. They also supply the 130,000 tonnes a year of timber for Ashton Paper Mill which makes the corrugated bits inside corrugated cases—known in the trade as "semi-chemical fluting."

Ashton is one of a handful of integrated pulp and paper mills in Britain which use home-grown timber to make paper, and board for the packaging industry. In Scandinavia and North America integrated mills are the norm but in the UK they are a rarity and, for a variety of reasons, the numbers are dwindling fast.

The collapse of a large part of the British pulp industry is significant not because it will lead to an extra £50m of imports but because it throws into question the long-term future of large parts of the UK paper industry which have to rely on imported pulp for their main raw material.

The loss of control over the supply and price of one of the industry's two main raw materials (the other is waste paper) is potentially far more serious than the loss of jobs involved. Apart from Canada and Scandinavia other European countries such as France and Holland have made up their minds that there is a strategic need for a domestic pulp industry even if it loses money heavily. The shape of the UK industry, however, is being left entirely to market forces.

This year Wiggins Teape, which is owned by BAT Industries, has announced that it is closing its loss-making pulp mill (but not its paper mill) at Fort William in Scotland and Bowater has said that it will close its Ellesmere Port mill. These two are the biggest integrated mills in Britain and account for over half the UK pulping capacity.

The rationale for integrated pulp and paper mills is simple and explains why the North American and Scandinavian producers have come to control such a large part of the world paper industry. By establishing mills alongside their forests they can produce substantial economies of scale which give them a competitive edge in world markets.

The trees come into the mill at one end and eventually leave as newsprint, packaging board, etc. At the same time, the sawmills produce wood for the furniture and construction industry and the by-products provide fuel to power the whole site.

During the 1960s a number of British paper companies decided to set up their own integrated mills based on home-grown timber in an effort to stem the growing overseas competition from the Scandinavians in particular. The first in the field was Wiggins Teape, which established its Fort William complex in 1966.

Its mill cost £15m of which £8 was provided by the Government following a special Act of Parliament. Based on a chemical sulphite process the mill was scheduled to produce 80,000 tonnes of pulp a year.

With hindsight the Fort William project was not soundly based. The pulping process was inefficient (250,000 tonnes of timber to produce 60,000 tonnes of pulp) and the plant was overmanned. Its problems have been visible for some time and the decision to close was not unexpected.

But it is the plight of the other integrated pulp and paper milla which is more serious. Bowater claims that its Ellesmere Port mill was as efficient as many in North America but it has been losing money beavily and nnw bas had to be closed.

Although the problems of Ellesmere Port have been exacerbated by the specific problems associated with the low price of UK newsprint, Britain's other integrated mills — Bowater at Kemsley, Keat, Ashton at Sudbrook, in the Wye Valley, St. Anne's at Bristol and Thames Board at Workington—are either losing money, or just about breaking even.

The problems facing Britain's integrated mills stem from the fact that energy and wood costs are substantially higher in the UK than in Canada or Scandinavia and British prices tend to be linked to dollar prices which have been wilting under the appreciation of sterling.

According to Jaako Pöyry, the leading Finnish consultancy firm, energy costs per tonne of newsprint made in Britain amount to £65 per tonne, compared with £30 per tonna in Sweden and £17 per tonne in western Canada. On wood costs, UK newsprint contains £42 per tonne compared with £20 per tonne in western Canada.

The British newsprint industry is particularly hard hit but in other grades of paper the UK integrated mills are now finding it difficult to justify their existence. At Thames Board, which is in the process of trebling the capacity of its Workington mill at a cost of £100m, the deterioration in the competitiveness of integrated mills is causing concern.

The Workington project, which involves raising the output of high quality cartonboard from 50,000 tonnes per annum to 150,000 tonnes per annum, was conceived when sterling was down at $1.70. Since then the pound has appreciated by two fifths and energy costs have soared.

Thames Board is naturally reticent about the economics of its new operation which is scheduled to come on stream next year. All it will say is that the disparity in energy costs between Britain and other western European countries is causing it "particular conrern." Howcver, it firmly holds the view that the expansion of Workington is "essential to prevent the virtual surrender of the UK cartonboard market to overseas producers."

In terms of the world industry, Thames Board's investment is not particularly large but in the context of the British industry it is beyond the reach of most companies. Given the combination of the scale of investment needed in new integrated pulp mills and the unhappy cost environment in Britain, it is unlikely that others will follow in Thames Board's steps.

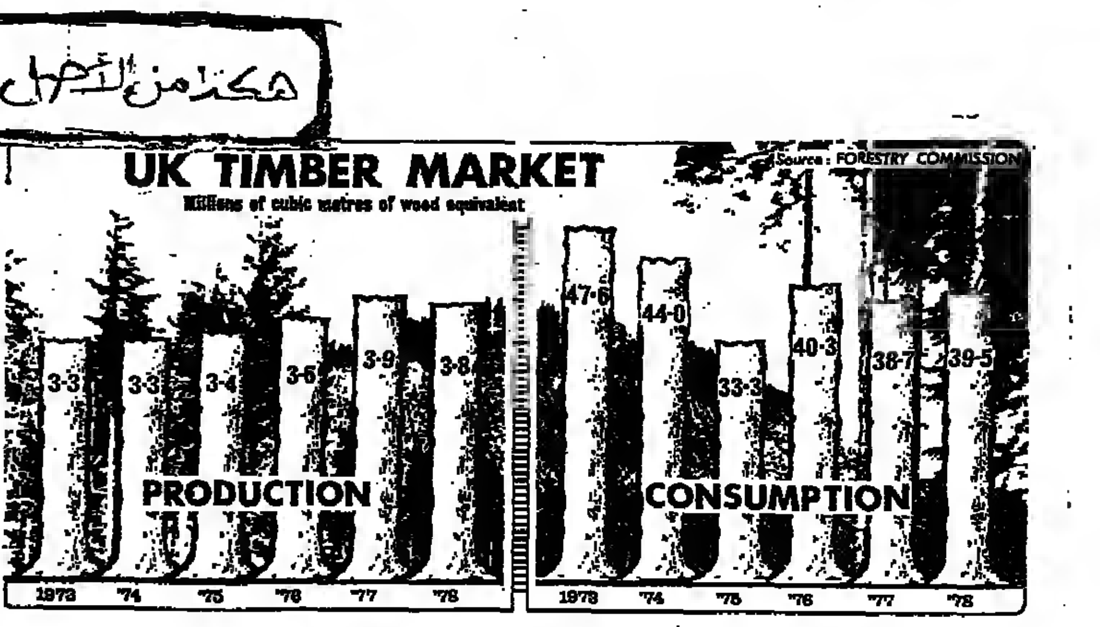
However, the UK industry remains firmly committed to the need for a visible integrated pulp and paper/board capacity in Britain. If the British pulp industry is allowed to collapse, the Scandinavian producers which provide a large part of the imported pulp could put up their UK prices while depressing the prices of their finished paper. This would mean that British papermakers dependent on imported pulp would find their raw material prices rising while their product prices are depressed—a recipe for bankruptcy.

It is this thinking whirh underlines the strategic need for a viable British integrated pulp industry based on home grown timber. In addition, the fact that one of the world's largest importers of timber products is developing into a major exporter of raw timber is bizarre to say the least.

BRITAIN'S INTEGRATED PULP AND PAPER/BOARD MILLS

	Location	Pulp process	Timber consumption '000 tonnes	Product	'000 tonnes
Thames Board (Unilever)	Workington	Mechanical	60	Board	50*
St. Anne's (Imperial Group)	Bristol	Thermo-Mech.	50	Board	100
Bowater	Kemsley	Semi-chemical	135	Fluting	89
Bowater	Kemsley	Mechanical	78	Newsprint	40
Ashton (Mardon†)	Sudbrook	Semi-chemical	130	Fluting	80
TO BE CLOSED					
Wiggins Teape (BAT Inds.)	Fort William	Chemical	250	Paper	60
Bowater	Ellesmere Port	Mechanical	250	Newsprint	120

* Rising to 150,000 tonnes over next few years. † Owned by BAT Industries.



THE CLOSURE of two of Britain's six integrated pulp and paper/board mills is a bitter blow for the British forestry industry. The two mills had accounted for more than a half of the country's pulp production.

The shutdowns are all the more serious because now after 30 years of investment, new large areas of forest are just becoming productive. Much of this will now have to be exported to Scandinavia and re-imported in the form of paper and other finished products, that would until recently have been made in Britain.

For the Forestry Commission and the private forest owners the loss of a market for more than 500,000 tonnes a year of timber which results from the closure of the mills at Fort William and Ellesmere Port is a major problem. For by the early 1990s annual production will have risen from its current level of just under 4m tonnes a year to around 7m tonnes.

There are 4.2m acres of productive woodlands in Britain — three quarters of it softwood. Ownershin is split equally between 3,700 private forest owners and the Forestry Commission which was established in 1919 to make good the timber depletions of World War 1. The Commission is responsible to the Ministry of Agriculture in England and to the Scottish and Welsh Offices. Unlike forests in Scandinavia and North America, much of Britain's woodland is fragmented and difficult to reach which makes costs roughly twice those of Canada.

The paper and board industry is the largest single user of British grown timber which provided 15 per cent of Britain's wood pulp requirements last year. In the context of the annual import bill of £2.75bn for timber and timber products, the import saving of £50m a year may seem small beer. But during the next few decades most forestry experts are predicting that there will be a world shortage of timber. Hence the British forestry industry has been arguing that the UK needs to reduce its dependence on imports from the current level of more than 90 per cent to some 75 per cent.

Many forestry companies have their own sawmills and while the raw timber may be easily exported, the same does not go for the residues which provide feedstock for integrated mills and form the basis for other by-products.

The UK fibreboard industry is a good example of the interdependence of growers and processors: Cape Insulation is the only domestic softboard prodncer nsing domestic timber. It has slightly less than a fifth of the market and uses around 15,000 tonnes of wood a year. Like the papermakers it is suffering because prices have not risen (the Scandinavians dictate the price) and because of rising energy costs, and is not making money. If it were to close, the timber growers would not be able to export the forest residuals which Cape now uses in its North Wales pulp mill.

In Scandinavia and North America forest owners rely heavily on a healthy wood processing industry to ensure their own well-being. Thus the collapse of such a large part of their "captive" UK market dismays the British forest industry and makes it harder for it to compete.

Forestry in Britain only employs 15,000 people directly in the forests and another 8,000 in support services. The mill closures will not cause massive redundancies among them because the trees will continue to grow, although demand for labour-intensive jobs, such as "thinning" may be reduced.

However, the closures will have long-term repercussions. Mr. John Campbell, the group chief executive of the Economic Forestry Group which is the biggest private grower, believes that Britain is making itself extremely vulnerable by neglecting its own industry.

"It would he a disaster if the UK forest resonrces whieh have heen so painstakingly created over a period of half a century were to become a buge logpond for our Scandinavian friends enabling them to hold us tn ransom over prices for the end-prodnct," he says.

Letters to the Editor

High interest rates

From Mr. J. Maltby

Sir,—On October 25, 1979, you kindly published a letter from me on the subject of high interest rates. Since this is still a much discussed subject I would like to draw attention to three arguments that I put forward then.

I suggested that the level of borrowing is not particularly price sensitive. This would appear to be borne out by experience over recent months and indeed it can even be argued that large interest burdens lead to increased borrowing to finance short-term cash requirements.

High interest rates have a depressing effect on industrial investment in that probable returns obtainable from such investment are insufficient to justify the borrowing probably necessary to undertake the investment and may equally not be attractive compared with the relatively secure return available from depositing any surplus funds with the banking system.

These two elements now appear to be recognised and are being more widely debated. My third point, however, so far seems largely overlooked. This was that high interest rates in themselves have a significant inflationary effect. I have heard manufacturers claim that anything between 5 per cent and 12 per cent of the final price of their goods to the consumer consists of the cost of money rather than of materials and services. There is, therefore, scope for improvement in our inflation rate if we can bring the cost of money down. This is evidenced by the fact that low interest rates and low inflation appear to be coincidental in individual economies, or at particular points in time.

It follows that a drop in interest rates should have an ameliorative effect on inflation both in this country and in the international community. The current high rates are partly the consequence of international competition; it only needs someone to take the lead for a progressive reduction to occur. Surely with our national needs and with the present strength of sterling Britain has an opportunity to give a lead to the world community.

J. N. Maltby.
Broadford House, Stratfield Turgis, Basingstoke, Hants.

Exporters ignored

From the Exports Manager, Sivers

Sir,—I refer to your editorial "The shake out continues" (August 28). It has been rightly stated that so far the Government has concentrated on the negative sides of adjustments for economic recovery. We have for the past few months been badly hit (rather massacred) by the high interest rate and the strong pound. Apart from the fact that factory price increases during the last few months have also affected exports, the element of unprecedented bank interest rate has caused liquidity problems without any lots of doubt.

Britain needs export for survival and exporters instead of getting preferential treatment are ignored by the present Government because there is no apparent distinction between a man in the street trying to borrow money for pleasure purposes and one who wants finance for export because the rate of interest chargeable to both is virtually the same.

One can cut back on labour, machinery, materials, etc., etc., but fixed costs like rent, rates cannot be altered overnight to suit the Government's cutback policy.

The export game is a specialised field and if the companies are to lose specially trained staff because of liquidity problems created by high interest rate directly the damage will be irreparable.

Unless the Government steps in quickly and offers some relief either by way of export rebate or by way of lower interest to exporters only, the banks are bound to flourish at the expense of their clients who may well be non-existent soon—victims of Government policy makers.

It is agreed that no Government can produce economic miracles out of thin air unless it is set upon robbing Peter to pay Paul.

Janet Wilkins.
3, High Street, Slough, Berks.

Risks are involved

From Mr. A. Gray

Sir,—Can savers in this country ever have a united representation from a pressure group when the whole nature of investment is competitive?

What Mr. Price's Savers Union (August 27) might usefully do is educate people with the knowledge that to obtain a real return requires the taking of a real risk, like investing money as new equity capital without any security or guaranteed return.

Nobody is forced to lend money to the Government, building society, or any other borrower, and those who choose to do so deserve little sympathy. After all, the rate of inflation has never been a state secret.

Adrian Gray.
31, Russell Road, Wimbledon, SW19.

Pressure group for milch cows

From Mr. K. Speyer.

Sir, — Now is the time to think about a British Investors Trade Union Democratic Society to look after the silent milch cows that are taxed on "inflation" capital gains and at special income rates 15 per cent above those of fellow men. Even if we are not particularly militant, this overdue pressure group should be formed in the context of society as it is at present.

I suggest that this union be registered with the Registrar of Friendly Societies, and following registration that it applies to join as a member of the TUC. Depending on the amount of members enrolled, we will then claim "our voice" representing thousands or millions!

We shall be more modern in our constitution than most, as far as the "democratic" in our title goes. Every enrolled member on payment of an annual fee of £10 (return cash benefit for members of the society 50p p.a.) will become also an unpaid official of this trade union.

Under existing Inland Revenue practice this will enable him to lunch out with other "investors" discussing union business, go on holidays and sundry "beanos" and claim resulting expenses against his income-tax; a long-lost facility of ordinary mortals unless they happen to be also trade union officials, exporters or government servants!

Furthermore, any official will be allowed to speak for and on behalf of all other members of the union so long as it is clearly understood that this does not bind anyone to anything, all in the most modern manner.

I shall be glad to be nominated president and accept joining fees from interested individuals of £10 per person to be deposited on trust after first taking a fat fee for myself in support of self and the bonour of the title. For other parts of the British Isles, we can have affiliated branches covering the regions to be called SCITUDS, EITUDS, WITUDS, etc. Have I overlooked anything?

K. G. Speyer.
208 City Road, EC1.

Security or return

From Mr. K. Middleton

Sir,—Reading the letter from the director of the Savers' Union (August 27) one feels bound to ask what his authority may be for the statement that savers "ought" to receive a real net return of two per cent from (presumably) gilt-edged investments. May it be suggested to him that, since wealth in any form whatever is inevitably subject to depreciation when left to itself, savers are entitled to no return at all if they lend on cast-iron security. Their reward is protection from the depreciation that is part of the natural order of things.

Unfortunately the practice of Governments over many decades has been to tempt savers to lend to them by purporting to give full security and interest in addition. Inflation, it can be said, is merely the natural order asserting itself against its defiance on the part of our modern society in its demand for the impossible.

If you want complete security you must forgo interest. You cannot have both.

Kenneth R. Middleton.
15a, Lynedoch Place, Edinburgh 3.

Greater London Council errors

From the Secretary Greater London Council Staff Association

Sir,—The report by Gareth Griffiths (August 15) referred to "Greater London Council errors" which hardly exist. The present GLC administration inherited from Labour a huge house-building programme already in contract which it could not stop and it superimposed on this a huge housing disposal programme—all to be carried out by a much depleted number of staff. In fact the "lack of financial control" which you mention has already been attributed to the GLC's disastrous staffing cuts by the government auditor. In the three years ending April 1980 my members have managed the completion of more than 20,000 new dwellings at a cost of £330m, spent £80m on improving thousands of homes, lent £90m to housing associations, transferred 100,000 dwellings to London boroughs and sold 12,000 dwellings.

Last month, to satisfy Mr. Tremlett, council officers prepared an exhaustive list of 107 cases, out of thousands they are currently handling, which might give rise to problems and difficulties. Most of them are either so trivial, or deal with such routine contractual problems, that I would call them nits, rather than skeletons in the cupboard. At Brentford Dock, out of 450 dwellings, "two complaints of hot water service are being studied." At Palace Road site "noise from boiler house is being studied." At Yorkshire Grove site an MP might complain about non-provision of a club room. These are typical examples of the hundred "blunders."

The whole list contains exactly three cases of genuine mistakes by officers. One single house was sold at a higher discount than the purchaser was entitled to; for one housing contract costing £2.2m the contractor was overpaid by £36,105 and this is to be recovered; and 24 houses offered to tenants for sale were transferred in error to a district council. That is all.

Is it fair to imply that GLC officers were incompetent, because private contractors in several cases have gone bankrupt, thereby leaving homes unfinished? Public officials are obliged to go through an elaborate legal and contractual procedure in such cases before the contracts can be re-let. And when our officers completed homes in time, a large number of them were left empty for sale on Mr. Tremlett's instruction. These inevitably get vandalised or occupied by squatters and the cases are then put on the list of their mistakes. You cannot win at this game, can you?

I can tell you that hundreds of my members on the GLC housing programme are at this moment working themselves out of a job because the Council wants them to finish certain operations double-quick before the next GLC election and then volunteer for severance. They have neither eased up nor allowed their professional grip on work to slacken. Instead of screaming about mistakes and wrong decisions, we should be thanking them for what they have done for thousands of Londoners who desperately need a place to live.

F. T. Hollock.
GLC Staff Association, 150 Waterloo Road SE1

The price of gas

From the Head of Information, Department of Energy

Sir,—Mr. P. Spivey's letter on gas prices in Germany (August 20) does not in fact contradict the figure given in Parliament by Mr. Norman Lamont. Since there are over 100 companies in the Federal Republic of Germany selling gas to domestic customers, his letter merely highlights the difficulty of arriving at an average price to compare with our own.

The Statistical Office of the European Communities in its survey of gas prices opted to quote prices for six German cities, which showed a range from 31.5p to 43.2p per therm for an annual gas consumption of 800 therms. Mr. Lamont quoted from around the middle of the range a price of 39.6p per therm for Dusseldorf for January 1, 1980.

Mr. Spivey's gas bill related to a different city and a different period—to Cologne and to the period October, 1978, to September, 1979. On the basis of that Cologne tariff, the Department of Energy has ascertained that for Mr. Spivey's annual consumption level of 2,489 cubic metres, the charge would have been 39.2p per therm on January 1, 1980, using the exchange rate which applied on that day. So Mr. Spivey's bill in fact offers an independent check on the reliability of the figure quoted by Mr. Lamont.

Ian Gillis.
Department of Energy, Thames House South, Millbank, SW1.

Industries of the future

From Mr. J. Millar

Sir,—High technology is the one sector in our economy that is hungry for capital and needs active support. This includes the growth industries of semi-conductors, micro-electronics, multi-spectral super-cooled infra-red remote scanning, telecommunications, computers, industrial robots, photovoltaics and glass vacuum tube energy collectors.

The British Government knows that our steel industry should have had major attention 30 or more years ago. It also knows better than to waste time and money propping up lame duck industries when the major problem is how the real growth industries above can finance their growth and their R. and D.

It is unlikely that our present level of R. and D. will enable us to keep at bay, let alone get ahead of, competition from abroad, especially Japan.

If we do something about this now, in 10 years electronics and associated industries could be as big as steel, motor cars, lorries, oil and aerospace. These will become a major and essential part of the older industries through which their products will be redesigned to use the newer high-strength materials and fewer components.

If we ensure now that our growth industries have all the capital backing they need to finance their R. and D. and production, by 1985-86 we shall have labour shortages which will provide the incentive to invest heavily in retraining.

Even though we are an island surrounded by oil we should not neglect to conserve energy. With British designed and made glass vacuum tubes producing temperatures of 320 degrees centigrade on a fine day and 150 degrees centigrade on a dull day, we can have a new industry supplying export markets with badly needed energy-making equipment and energy at home for industrial process heat.

J. H. Millar.
49, Avenue Hector Otto, Monaco, Principauté de Monaco.

UK: Mr. Husni Muharak, Vice-President of Egypt, starts five-day official visit to UK, will meet Mrs. Margaret Thatcher.

Trades Union Congress annual conference opens Brighton (until September 5).

Dr. Gerard Vaughan, Health Minister, opens London Nursing Exhibition and Cancer Nursing Conference, Royal Festival Hall (until September 5).

Farnborough Air Show opens (until September 8).

British Association for the Advancement of Science annual meeting opens, Salford University (until September 5).

Today's Events

International Environment and Safety Exhibition and Confcrence opens, Wembley Conference Centre (until September 4).

International Watch, Jewellery and Silver Trades Fair, Earls Court (until September 4).

Overseas: United Nations Commission for Trade and Development shipping committee meets, Geneva (until September 12).

Leipzig Autumn Fair (until September 6).

OFFICIAL STATISTICS

Central Statistical Office publishes 1980 edition of the Pink Book—UK Balance of Payments.

COMPANY MEETINGS

See Financial Diary on Page 19.

COMPANY RESULTS

Final dividends: Apex Properties. Whitworth Electric (Holdings). Interim dividends: Claverhouse Investment Trust. Electrical and Industrial Securities. I. and J. Hyman. Scottish Eastern Investment Trust.

LUNCHTIME MUSIC, London

Piano recital by Philomena Macrae, St. Lawrence Jewry, 1.0 pm.

Organ recital by Jonathan Rennert, St. Michael's Cornhill, 1.0 pm.


Tom Br…

Hampson Industries still in a strong position

PROFITS are continuing to be made at Hampson Industries and the financial position is quite strong, Mr. T. Hampson Silk, chairman, tells shareholders in his annual report.

While making no forecast for the current year, the board's view of the future is not pessimistic even though a temporary setback may be experienced affecting almost every British company, the chairman adds.

He says all factories are at present working full-time but this will only be possible if the group can continue to be competitive. Main activities of the group include engineering, manufacturing, industrial cleaning, maintenance and allied services.

Many of the group's customers, including some of the larger companies are experiencing cutbacks in their order intake which is bound to affect Hampson. On the other hand, the group's export orders have increased but profit margins are bound to suffer through inflation.

The West Bromwich factory and Brandon Way is large and as only part of this is occupied by Hammec Engineering, the remainder will be divided into small units and rented out so that in due course this freehold site will become a factory estate producing some very useful rental income, says the chairman.

In the year ended March 31, 1980, pre-tax profits rose from £584,116 to £705,653 on turnover up some 27 per cent from £12.73m to £16.01m.

The directors are also proposing the conversion and subdivision of the 750,000 authorised but unissued 7½ per cent redeemable preference £1 shares into 1.5m ordinary 5p shares.

The preference share capital was redeemed on March 31 last year and as a result the directors consider it would be convenient to create a reserve of authorised but unissued ordinary share capital.

The chairman says opportunities are constantly being explored for expansion of the group's activities along with the policy of recommending scrip issues. It is therefore considered prudent to have a larger reserve of authorised but unissued capital.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Claverhouse Investment Trust, Electrical and Industrial Securities, I. and J. Hyman, Scottish Eastern Investment Trust.

Finals: Apex Properties, G.T. Asia Sterling Fund, Linfood, Whitworth Electric.

FUTURE DATES

Interims—

Early (Charles) and Marriott (Witney) .... †Sept. 18
Family Investment Trust .... Sept. 3
Leyland Paint and Wallpaper .... Sept. 10
London and European .... Sept. 4
Midland Industries .... Sept. 9
Pearson (S.) .... Sept. 4
Shama Ware .... Sept. 4

Finals—

British Electric Traction .... Sept. 4
Harmony Gold Mining .... Sept. 11
Maynards .... Sept. 11
New Central Witwatersrand .... Sept. 4

† Amended.

Phoenix Timber shows profit in first quarter

OVERALL the Phoenix Timber Company shows a small profit in the first three months of the current year to the end of June, but it is too early to predict the out-turn for the remainder of the year, Mr. Alexander Gourvitch, the chairman, says in his annual statement.

With the drastic curtailment of house building and the decisive de-stocking by merchants and retailers leading to heavy under-employment in the furniture and cabinet-making industries, the demand for group commodities has declined sharply and sales for the first quarter have fallen by 20 per cent compared with the 1979 period, he adds.

The adverse effect of this downturn on profitability has been offset to some extent by direct annual cost savings which will amount in the current year to some £700,000 from reductions in staff and workforce.

The industrial division, comprising the manufacturing and processing companies, has made very satisfactory profits in this period following the previous year's retrenchment.

The group operates as a timber and sheet material importer, merchant, sawmiller and wharfinger.

As reported on August 16, pre-tax profits fell from £342,000 to £320,000 for the year ended March 31, 1980. The net dividend total is unchanged at 5p per 25p share.

Meeting, Rainham, September 25, noon.

Warne Wright turns in £1.4m at year-end

Taxable profits of Warne Wright and Rowland, a wholly-owned subsidiary of Benjamin Priest and Sons (Holdings), came out at £1.42m for the year ended March 28, 1980, compared with £1.8m for the previous 15 months. Turnover of this fastener maker, drop forger and engineer amounted to £25.99m, against £27.22m.

Interest charges jumped from £260,918 to £483,649, while tax credits increased to £215,761 (£32,530). There was an extraordinary debit of £243,406 this time, due to a decision to terminate container manufacturing and prefabricated housing operations at S. Taylor and Co.

Earnings per share were 2.561p, against 2.954p for 15 months. Ordinary dividends absorbed £1.31m (£0.58m) and retained profits emerged at £80,540 (£1.24m).

FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:

Denmark 13pc Loan Stock 2005 (Section: Foreign Bonds and Rails);

Peerless Limited (Industrials).

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB   Telephone 01-621 1212

£000's capitalisation	Company	Last price	Change on week	Gross Div (p)	Yield %	P/E
3006	Airsprung	52	—	6.7	12.9	3.1†
595	Armitage and Rhodes	21	—	3.8	18.1	1.4†
10387	Bardon Hill	170	—	9.7	5.7	6.4†
740	County Cars 10.7% Pf.	74	—	15.3	20.7	—
6766	Deborah Ord.	98	—	5.5	5.6	4.8†
4687	Frank Horsell	125	—	7.9	6.3	3.9†
9824	Frederick Parker	68	−1	11.0	16.2	3.1†
1874	George Blair	88	—	16.5	18.7	—†
2050	Jackson Group	82	−1	6.0	7.3	3.1†
16562	James Burrough	120	−2	7.9	6.6	5.8
3111	Robert Jenkins	305	—	31.3	10.2	—†
3385	Torday	220	—	15.1	6.9	3.7†
2725	Twinlock Ord.	12½	−¼	—	—	—†
2320	Twinlock 15% ULS	85	—	15.0	17.6	—
7171	Unilock Holdings	47	−1	3.0	6.4	7.2†
12633	Walter Alexander	100	−1	5.7	5.7	5.5†
5718	W. S. Yeates	245	—	12.1	4.9	4.0†

† Accounts prepared under provisions of SSAP 16.

Clover Croft joins in property deals

Clover Croft and State, the former cotton spinning company, Queen Street Warehouse (Holdings) and the private Espley-Tyas Group have entered into a complex series of deals involving property interests.

Queen Street is buying three private property companies—Drakey, Delvan, and Glenoaks—from Mr. Ronald Shuck's Consult Securities International for £602,000 in preferred ordinary shares. Consult will also receive a deferred consideration of up to £400,000 in Clover ordinary shares dependent on the ultimate network of the three companies which are engaged in industrial, shopping and office projects in West Bromwich, Stourbridge, and Richmond, Surrey.

Clover will then buy the preferred shares of Queen Street to be issued to Consult under the deal and also purchase Consult Property Development Company for a maximum of £450,000 in shares. This company is engaged in a single commercial development in Sheffield. Clover is also to acquire Chedwick Estates from Consult for a maximum of £500,000 in shares.

Clover will then make an offer to buy Espley-Tyas, at £6.50 a share in six Clover shares and £2.30 cash. The two main shareholders, Mr. R. B. Lambon and Mr. S. Tyas with 59 per cent of the capital, have undertaken to accept the offer, which will total £1.36m, dependent on the trading results.

Clover's main shareholder after the deals and Clover share issues will be Consult and Mr. Shuck with nearly 31 per cent.

ENGLISH ASSOC. BACKS CAVLAND

The English Association Development Fund, recently set up by The English Association of American Bond and Share Holders, is to provide £75,000 backing for the Cavland group of companies, based in Lymm, near Manchester.

Cavland is involved in lease broking and industrial and consumer finance and also owns sand quarries in north west England. The new capital, which comprises both equity and loan stock, is being used by Cavland to acquire Century Industrial Services, a consumer finance company also based in Manchester.

This is the first investment to be made by The English Association Development Fund, which has been set up as an Isle of Man Unit Trust specifically to provide development capital for private companies.

LAPORTE INDS. BIO-KIL CHEMICALS

The offer by Laporte Industries Holdings for Bio-Kil Chemicals has become unconditional in all respects.

Acceptances electing for the share alternative have been received in respect of 8,989 ordinary shares in Laporte and accordingly, shareholders of Bio-Kil who elected to receive the share alternative have been allotted ordinary shares in Laporte in full in accordance with their elections.

The offer remains open for acceptance. The share alternative closed at 3.30 pm yesterday.

British Land has 91% of Corn Exchange

THE OFFER on behalf of British Land for the share capital of Corn Exchange is unconditional in all respects and is extended until further notice.

British Land has received acceptances of its offer, as altered by the capital reorganisation approved on August 28 at an EGM of Corn Exchange, in respect of 20.33m Corn Exchange new shares and deferred shares representing 91.4 per cent of the issued share capital.

The total nominal amount of 12 per cent convertible unsecured loan stock 2002 of British Land (CULS) which has been allotted in respect of the above acceptances is £1.83m and cash amounting to £5.09m will be issued.

Included in the above acceptances are elections for additional CULS to the extent of £561,280 in nominal value and for additional cash of £2.36m.

As known, it is not intended that the acquisition should be referred to the Monopolies Commission.

Admission to the Official List of the CULS to be issued pursuant to the offer has been granted by the Stock Exchange and dealings have commenced for deferred settlement.

Marston Thompson

Despite evidence of a recession, trade at Marston Thompson and Evershed, brewer and wine and spirit merchant, had held up reasonably well, Mr. M. F. Hurdle, the chairman, told the annual meeting.

Since the beginning of the company's financial year on April 1, some price resistance had been evident, but sales had suffered only to a small extent, he added.

For the year ended March 31, 1980, pre-tax profits increased from £4.5m to £5.5m, on higher turnover of £30.33m (£26.5m).

TIMES PUBLISHING/ MARSHALL CAVENDISH

The Times Publishing offer to acquire Marshall Cavendish has become unconditional in all respects. Times owns 6.05m Marshall ordinary and acceptances of the offer have been received in respect of approximately 89 per cent of the Marshall shares.

The offer remains open for acceptance until further notice.

MINING NEWS

Texasgulf revives gold mine plan with partners

BY GEORGE MILLING-STANLEY

THE AMERICAN mining group Texasgulf has decided to go ahead with a gold mine at Cripple Creek, Colorado, which it abandoned in January, 1979. The company has signed a new joint venture agreement with its former partners, Golden Cycle and Golden Cycle Gold.

The agreement requires Texasgulf to prove a mining and milling capacity rate of 150 tonnes of ore a day within three years. The production plan is based on current estimated reserves of 300,000 tonnes of ore with an average grade of just over 10 grammes of gold per tonne.

The plan calls for production to begin within two years. Texasgulf said that there is the potential for developing additional reserves, and the recovery of gold from an estimated 4m tonnes of dumps will also be assessed.

Texasgulf spent more than $5m (£2m) on exploring and evaluating the properties before withdrawing from the original joint venture. The company said at the time that it was pulling out because its analysis indicated insufficient reserves to justify a mining operation of a size that would be attractive.

Since then, the price of bullion has increased from the $200 to $220 per troy ounce range to its current level of more than $600, and it is this which has caused Texasgulf to change its mind.

Texasgulf said that the estimated cost of the initial development and construction will be about $8m, including costs incurred by Golden Cycle as manager since Texasgulf's withdrawal. These costs have been reimbursed by Texasgulf.

All of the funds required for the project will be provided by Texasgulf until the production level has reached the target of 150 tonnes per day, and mining and milling facilities with a capacity of 300 tonnes per day have been installed.

Once that point has been reached, Texasgulf will contribute 81 per cent of the funds required.

Texasgulf will receive 75 per cent of the net proceeds of the gold properties and Golden Cycle 25 per cent until $10m has been distributed. After that, Texasgulf's share will rise to about 84 per cent, with Golden Cycle receiving about 16 per cent until all of the new investment has been reimbursed.

Thereafter, the net proceeds will be distributed according to the participants' stakes in the joint venture, with Texasgulf getting 64 per cent and Golden Cycle 36 per cent.

Samancor's export outlook dull

ONE OF SOUTH AFRICA'S leading producers of iron and manganese ores and ferro-alloys, South African Manganese Amcor (Samancor), sees no improvement in overseas demand for another year, writes Jim Jones from Johannesburg.

Commenting on the results for the first half ended on June 30, Samancor said that the 21 per cent fall in pre-tax profits to R31.64m (£17.6m) reflected lower export demand, particularly to the U.S., higher costs and the strength of the South African rand against the U.S. dollar.

The company added that the downward trend is expected to continue into 1981, until overseas steelmakers find it necessary to replenish their stocks.

Samancor has declared an unchanged interim dividend of 4 cents from first-half earnings of 13.5 cents a share, compared with earnings of 18.85 cents last time. This is in sharp contrast to the company's competitor Associated Manganese, which last week doubled its interim dividend in spite of a fall in earnings.

In 1979, Samancor paid a total dividend of 18 cents a share on earnings of 44.1 cents.

UK Provident offering new Moneymax plans

TWO new investment plans have been launched by the UK Provident, a leading mutual life company, offering investors high rates of return on lump sum investments made through life assurance contracts.

Both the Moneymax Growth Plan and the Moneymax Income Plan use a combination of the company's successful Moneymax with-profits plan and a temporary annuity. The former plan provides a capital sum at the end of 10 years, while the latter provides guaranteed income over the period with a return of capital at the end.

Under both plans, the investor has a variety of options at the end of the period.

For an investor aged 45, an outlay of £5,000 will secure a tax-free lump sum after 10 years under the growth plan, of £13,637 on current bonus rates —a net yield of 10.55 per cent, or provide a monthly income of £39.92, together with the return of capital.

SPAIN

1980 High	1980 Low		Price %
246	203	Banco Bilbao	225
258	217	Banco Central ...	252
220	203	Banco Exterior ...	208
231	200	Banco Hispano ...	223
137	117	Banco Ind. Cat. ...	120
175	141	Banco Madrid	141
282	237	Banco Santander...	276
190	136	Banco Urquijo.......	140
240	208	Banco Vizcaya ...	236
215	200	Banco Zaragoza ...	215
112	75	Dragados	109
73	58	Espanola Zinc	73
66	53.2	Fecsa	62.70
40	23.2	Gal. Preciados ...	33
71.7	58.7	Hidrola	87
68.2	57.5	Iberduero	64.50
120	100.7	Petroleos	109
92	59	Petroliber	87
115	107	Sogefisa	107
85.5	51.5	Telefonica	61
69	58.2	Union Elect.	68.50

In Brief

BENJAMIN PRIEST AND SONS (HOLDINGS) (engineering) — Results for year ended March 28, 1980, with prospects reported July 23. Group shareholders' funds £18.28m (£17.72m). Medium-term borrowings and debentures £2.03m (£2.11m). Bank overdraft £4.34m (£2.3m), short-term borrowing £656,252 (same). Meeting, Stourbridge, September 23, 12.15 pm.

F. H. TOMKINS (buckles, bolts, nuts, fasteners)—Results for year to April 27, 1980, already reported. Historical pre-tax profit of £2.06m reduced to £1.14m on CCA after adjustments of £1.17m and gearing £248,000. Shareholders' funds £7.34m (£6.42m). Bank loans and overdrafts £1.13m (£749,000). Mitchell Somers holds 21.012 per cent of ordinary capital. Meeting, The Post House, Great Barr, September 25 at noon.

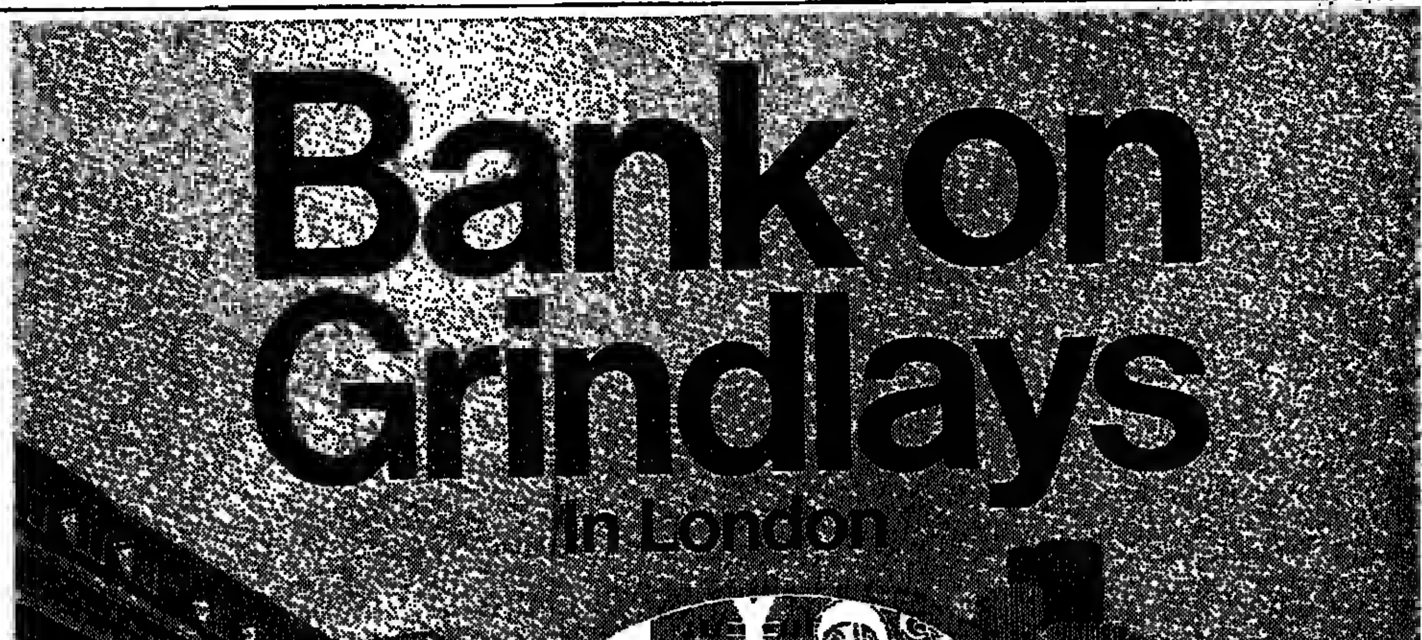
IMRY PROPERTY HOLDINGS—Results for year ended March 31, 1980 already reported. Shareholders' funds, £4.03m (£3.23m); properties £12.85m (£12.05m); loan capital £8.16m (£8.24m).

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross half-yearly. Rates for deposits received not later than 19.9.80.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	13	13	13	13	13	13	13	13

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.



INTERNATIONAL BONDS — **BY FRANCIS GHILÈS**

EIB makes few converts

THE APPEARANCE of the first ever conversion Eurobond last week did nothing to lift the gloom that hangs over all sectors of the market. The $100m 12¼ per cent issue, to 1987, for the European Investment Bank which is managed by UBS (Securities), is not likely to set a yield level from which other banks might hope to launch a string of new issues.

The holiday season in the dollar sector of the Eurobond market has now lasted more than two months and there were few signs that it had come to an end last weekend. A combination of factors suggests, according to many bond dealers and new issue managers, that the present state of affairs could last into the autumn. U.S. interest rates continued to rise—some prime rates now stand at 11½ per cent—and the record increase in the Leading Economic Indicators index announced on Friday gave little hope for a change in the trend.

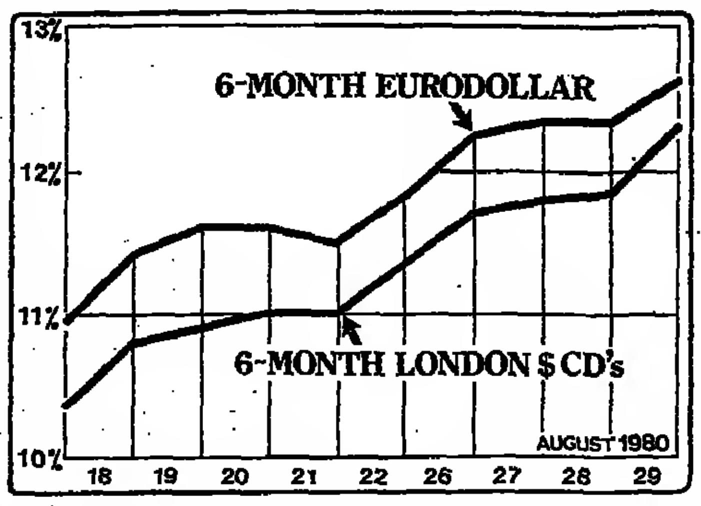
Some bankers point to the relationship between CD and deposit rates (see chart) as evidence that investors are unwilling to lock in funds for six months, but prefer to invest in CDs which are negotiable instruments: hence the softening of rates offered on CDs as compared with those on deposit.

Trading in bonds remains thin though some houses appear to have been carrying out swap business between Eurobonds, Yankee, and U.S. Treasury bonds. So far there is no sign of investors selling straight dollar paper, though some dealers fear they may be tempted to do so if interest rates continue to climb. Last week's fall in straight dollar bond prices was the result of dealers marking them down, some in an attempt to trim their book to the bone. Overall, bonds posted falls of around 2 points on the week.

Three new dollar issues were launched last week—including a convertible bond for Oak Industries, and a floating rate note (FRN) for the Long Term Credit Bank of Japan—but interest was focussed on the "conversion" bond for the EIB, which is being underwritten by UBS (Securities) alone.

This was the result of the totally negative reaction UBS encountered when it sounded out a number of institutions about coming into the management group for the new issue. All the banks, some of whom were managers of the $100m 8 per cent EIB bond which matures next September 15 and is the subject of the conversion, refused on the grounds that the terms were quite out of line with the market.

The idea of a conversion issue, which is not unknown in the UK, Switzerland and Belgium, is to offer holders of a maturing issue new bonds issued by the same borrower



with terms adjusted to reflect prevailing market conditions.

The EIB is the first borrower to take advantage of this technique in the Eurobond market. It is offering $100m of 12¼ per cent 7 year notes at par, in exchange for notes issued in 1975. The conversion fee is 1 per cent and the management fee is 1 per cent, one quarter of which will be kept by UBS (Securities), the rest being reallowed to the banks which come forward with bonds to convert.

Holders of the notes maturing are also entitled to request redemption for cash in lieu of the conversion offer. Many of them may exercise this option, as they are being advised to do so by a number of the banks which were managers of the 1975 issue.

The reason is not hard to find: issues of similar quality and maturity can easily be found which yield up to 1 per cent more than the new bonds. The investors need look no further than other outstanding issues for the EIB to pick up higher yielding paper. Last Friday, The 8¾ per cent EIB bond to 1987 offered the investor a return of 12.90 per cent, or 0.52 per cent more than the new bond, while the 13⅛ per cent bond to 1990 for the same borrower offered 13.45 per cent.

The rise in U.S. interest rates and the Bundesbank's not lowering German interest rates ten days ago has unnerved the Deutsche Mark foreign bond sector, where three issues were postponed last week. The German Capital Markets Sub-Committee which meets today to decide on September's new issue calendar of foreign Deutsche Mark bonds will have a hard task. What all German banks are agreed upon is that the record levels of new issue activity witnessed these past two months will be difficult to maintain.

Secondary market prices of Deutsche Mark bonds shed 1½ points last week, with selling pressure coming mostly from abroad.

In Switzerland, where foreign bonds shed an average ½ point over the week, the National Bank announced a series of measures to liberalise capital exports.

The measures will broaden the basis of the private placement market, as banks will for the first time be able to place such notes abroad. A limited interbank secondary market in medium-term notes is also to be allowed within Switzerland itself.

These two innovations should, in the longer run, increase demand from investors for the notes, but much in this sector depends on currency movements. While the Swiss Franc retains a reputation for volatility there is likely to be a shortage of borrowers or investors, depending on the exchange rate of the moment.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
†Fuqua O'seas Fin. NY	50	1987	6	—	100	Chemical Bank	—
§Minolta Camera Co.	30	1995	15	7	100	Daiwa (Europe)	7.123
§Oak Industries	25	1995	15	8½	100	Smith Barney Harris Upham	8.500
‡EIB	100	1987	6½	12¼	100	UBS (Securities)	12.375
†Long-term Credit Bank of Japan	25	1988	8	5¼ф	100	Daiwa (Europe)	5.319ф
D-MARKS							
‡§Nichii	80	1988	8	6	100	Deutsche Bank	6.090
‡Kingdom of Sweden	200	1990	10	7¾	100	Dresdner Bank	7.875
RENFE (g'teed Spain)	100	1988	8	8½	*	West LB	*
**§Nippon Paint Co.	40	1988	8	6¼	100	BHF Bank	6.250
‡**Seiyu Stores	30	1986	5½	8¼	99½	West LB, IBJ Intl.	8.348
SWISS FRANCS							
‡EDF (g'teed France)	100	1990	—	5¼	100	UBS	5.250
‡**§Kanemori	20	1985	—	5⅜	100	Banca del Gottardo	5.375
‡**Kingdom of Sweden	100	1985	—	5¾	100	UBS	5.750
‡Copenhagen Telephone A/S	60	1990	—	5¾	99	SBC	5.885
KUWAITI DINARS							
City of Oslo	7	1990	10	9¼	100	KIIC	9.250

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ф Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund.
Note: Yields are calculated on AIBD basis.

U.S. CREDITS — **BY IAN HARGREAVES**

Still living on nerves

SUMMER ended today in New York, with that rigorous precision which Americans apply to the division of the seasons. But as the population of Wall Street celebrated its last day in summer, leased seaside houses on Long Island, and the labour day holiday, there was not much to celebrate back in the office.

The bond market had another rotten week, truncated by the long weekend which began at noon on Friday, and the only development over the weekend—the release of the money supply figures—offered no comfort.

M1 "A" and "B" both showed very small increases in the week to August 13, which in itself is fine, but it means that the record more-than-$9bn increase in money supply announced two weeks ago has not, as Wall Street hoped, been any where near compensated for.

So, although some analysts remain confident that there will be some easing in money growth in September, the market looks like living on its nerves again this week, with fairly stable unemployment figures, and later another sizeable boost in the producer price index, providing further evidence of growth and inflation due for announcement.

Last week, in response to these factors, the Fed allowed the federal funds rate to trade consistently over the 10 per cent mark, which took other short interest rates higher and, along with them, the prime rate up to 11½ per cent.

If this continues, pressure will mount on the Fed to lift its discount rate from 10 per cent—a move which would confirm the market's worst fears.

Fed watching was the market's main burden last week, followed by the attention paid to the record jump in the leading economic indicators for July—another sign of growth ahead.

By contrast, there was virtually no response to President Carter's $27.5bn tax cut package, details of which had been well leaked and which in any case is a matter of intention rather than fact at this stage.

So, it has not been much of an end to the summer. It is also interesting to look back to the first day of summer—for Americans memorial day on May 26—and see what the credit markets were doing then.

On that day the Treasury's 30-year bond was trading at 99.7. On Friday it traded at 88.20. Three month certificates of deposit were at 8.5 per cent, against almost 11 per cent last week. Only the prime looks better at 11.5 instead of 14.5-16 per cent, which merely demonstrates how far the prime often lags behind the credit markets.

What the market needs in September is some evidence that the Fed really has a grip upon its monetary targets, something which would enable the market to look less anxiously at the prospect of a recovering economy, especially as that recovery promises to be very sluggish.

U.S. INTEREST RATES (%)

	Week to Aug. 29	Week to Aug. 22
3-month Treas. Bill	10.35	9.70
3-month Certificate of Deposit	10.95	10.50
Federal Funds wkly. average	10.32	9.87
30-year Treas. bond	11.42	11.15
Lng-term AAA Utility	12.63	12.38
Lng-term AA Industrl	12.50	12.00

Source: Salomon Brothers estimates.

CREDITS — **BY PETER MONTAGNON**

Spreads continue to move apart

EUROBANKERS RETURNING from their summer holidays last week found a market still rather drowsy in terms of business done but with underlying conditions volatile as banks begin to reassess the outlook for individual borrowers ahead of the run up to the year end.

At one end of the spectrum bankers acknowledge that margins on credits to low risk European borrowers remain under downward pressure even at their present very low levels. By contrast resistance is growing to the demands of a number of "difficult case" borrowers.

The result is an accentuation of the trend for spreads to move apart. This was already apparent before the holiday period, but some nuances are emerging.

One is that, in the absence of borrowing by the best rated countries in Northern Europe, Spain appears to be jockeying for a position in the top league. It is understood that the INI subsidiary, Eniepsa, hopes to obtain a ⅝ per cent element in the margins for its forthcoming $50m credit.

The mandate for this borrowing is still some way off and there seems to be little doubt that banks would resist attempts to impose such pricing.

At the other extreme are countries such as Brazil, whose latest credit, a $150m borrowing by Siderbras, is reported to be going slowly even with its margin of 1⅞ per cent over inter-bank rates. Yugoslavia's requests for funds is also growing increasingly insistent, but with banks still unwilling to provide large amounts of medium-term finance the country is now believed to be relying heavily on very short-term borrowing.

In the middle of the range, there are now signs of a thaw in the chill on lending to Eastern Europe. UBAF is testing the market for a credit of between $50m and $100m for East Germany's Foreign Trade Bank (DAB). The terms proposed provide for an overall yield of about ⅞ per cent, with a margin over Libor of ⅝.

Bankers say that it is still too early for U.S. banks to resume normal business with Comecon borrowers while Soviet troops are still in Afghanistan. European banks, however, appear to have shorter memories and are now beginning to aim at replacing run-offs with new assets. The result should be a greater volume of Comecon business between now and the year-end.

Strong interest is also being shown in some new or unusual names in the Eurocredit markets. Arab Bank, BNP and UBAF are, for example, co-ordinating a $150m credit for Jordan which carries a seemingly rather low margin of ⅝ per cent over seven years with three years' grace.

The margin reflects, however, the fact that this is a club deal for a borrower which can command scarcity value.

Detailed conditions of South Africa's proposed $250m credit are still not known, but it is understood that the offer submitted by the banks involved to Pretoria on Friday allowed for an average yield of 1 per cent, broadly in line with market expectations.

Elsewhere, some replies are still outstanding on Argentina's $250m eight-year credit with its ⅝-¾ per cent margin. Syndication was extended till last Friday after an initially cool response to the fine margins. At the same time a forthcoming credit for YPF has been postponed to avoid a heavy concentration of Argentinian borrowings in the market. As a result the leading banks now believe that the final amount sold down to the market could be in the range of 30 to 40 per cent.

In Asia, Taiwan's Taipower has finally mandated BA Asia Ltd to raise $100m over ten years with four year's grace. The margin is ⅝ for the first eight years and ¾ for the last two. Originally the credit was expected to be for $250m, but the amount was reduced after Taiwan's Finance Ministry held out for better terms.

The seven year credit for Ecuador being co-ordinated by Lloyds Bank International has been increased to $250m, from $200m, after more than $100m was raised in market syndication. Japanese banks are taking $50m of the credit, their maximum permissible quota under Japanese Finance Ministry regulations. It bears a margin of ⅞ per cent.

Also increased, to $230m from $200m, was the maximum 13 year credit for Akzo arranged by Union Bank of Switzerland. The credit bears a margin of ⅜ per cent for years one to four, ½ per cent for years five to seven, and ⅝ per cent thereafter.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Brit. Oxygen F. 10½ 90	50	85¼	85¾	0	−0¼	13.50
CECA 11½ 88	100	94	94½	−0¼	−1½	12.88
Citicorp O/S Fin. 10 86	300	89¼	89¾	−0⅛	−1⅛	12.63
Con. Illinois O/S 9¾ 88	150	88	88½	−0⅛	−0⅞	12.70
Denmark 11¾ 90	100	92¾	92¾	−0⅛	−1½	13.13
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅞ 86 C$	60	92	93¼	+0½	−0⅝	12.54
CIBC 13½ 85 C$	50	†100¾	101¼	+0⅛	−0¼	13.15
CIBC 11½ 85 C$	60	†95½	96	+1⅛	0	12.70
Federal Dev. 11½ 90 C$	60	†90½	91	−0⅝	−1¼	13.22
Fst. Can. Inv. 10 84 C$	50	†91⅛	91⅝	0	−1⅜	12.99
GMAC 12 85 C$	50	†97½	98	0	0	12.62
R. Bk. Canada 10 86 C$	40	91⅛	91⅞	−0⅝	−1	12.08
Tordom Cpn. 13½ 85 C$	30	†100¾	101¼	+0¼	−0¾	13.15
M. Bk. Dnmk. 9 91 EUA	25	93⅞	95½	0	0	9.82
SOFTE 8¾ 89 EUA	40	88¼	89½	0	+0¼	10.24
U. Bk. Nrwy. 9½ 90 EUA	13	99	100	−0½	−0⅞	9.56
Algemene Bk. 8¼ 84 Fl	75	95⅞	96⅜	+0¼	−0⅛	8.44
Algemene Bk. 10¼ 87 Fl	400	100¾	100⅝	+0⅛	0	10.15
Bk. Mees & H. 10 85 Fl	75	98⅝	98⅞	−0⅛	−0⅛	10.29
Heineken NV 10 87 Fl	75	100	100½	+0⅛	−0⅛	9.94
Norway 8¼ 84 Fl	100	96⅝	96⅞	+0⅛	−0¼	9.27
Philips Lamps 8¼ 84 Fl	75	95⅜	95⅞	+0⅛	−0⅞	9.71
Aero Paris 13½ 87 FFr	150	99¾	100¼	+0⅛	0	13.12
Air France 11 84 FFr	120	96½	97⅛	−0½	−0⅜	12.10
CECA 14¼ 86 FFr	150	105¼	106⅜	0	+0⅛	12.51
Finland 11 84 FFr	80	93⅜	94⅛	0	−1½	12.90
Finland 11½ 88 FFr	70	93	94	0	−0½	12.73
Gaz de France 11 84 FFr	150	95⅜	96⅜	0	0	12.29
IBM France 11⅞ 84 FFr	120	96½	96½	+0¼	−1½	13.09
Renault 9⅞ 85 FFr	100	88⅜	89⅛	0	+0⅜	13.00
Solvay et Cie 9¾ 87 FFr	125	85	86	0	−0⅝	13.12
Utd. Max Sts. 14 85 FFr	150	100⅝	101⅝	0	0	13.69
Beneficial Fin. 14¼ 90 £	20	97⅛	97⅞	+0⅛	−1⅜	14.71
Citicorp O/S 13½ 90 £	50	97⅛	98	−0⅛	−0½	13.93
EIB 11½ 91 £	25	89⅜	90⅛	−0⅝	−1⅜	13.35
Fin. for Ind. 12½ 89 £	30	94⅜	95	−0½	−1⅛	13.56
Fin. for Ind. 14½ 88 £	20	100⅝	101⅛	0	−0½	14.28
Gen. Elec. Co. 12½ 89 £	50	94⅜	95⅜	−1⅛	−4	13.53
Peugeot SA 14 90 £	23	97	97¾	+0⅛	−1⅛	14.50
Swed. Ex. Cr. 15¼ 85 £	20	101⅛	102⅛	−0⅛	−1⅛	14.55
Banobras 8¼ 90 KD	7	†94⅜	94⅞	0	0	8.10
CCCE 8½ 91 KD	10	†94⅛	94⅞	0	0	8.96
Sonatrach 8½ 90 KD	12	†93⅛	93⅞	0	0	9.57
Akzo 9¼ 87 LuxFr	500	94⅜	95¼	0	−0⅛	10.37
Euratom 8 87 LuxFr	500	88½	89½	−0¼	−0⅛	10.23
Euratom 9¼ 88 LuxFr	500	98⅛	98⅜	−0⅛	−0⅛	10.00
EIB 9¼ 88 LuxFr	600	98½	98½	−0¼	−0⅛	9.92
Volvo 9⅜ 87 LuxFr	500	96⅜	97⅛	0	0	10.42

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk. 5¼ 87	0¼	98	98½	2/1	10.44	10.62
Bank of Ireland 5⅞ 89	‡0¼	97⅜	98⅛	21/11	11⅛	11.62
Bank of Tokyo 5⅞ 89	‡0⅛	96⅜	97⅛	25/10	9⅛	9.54
Barclays O/S Inv. 5 90	0¼	96⅞	97⅜	13/12	9⅝	9.91
Bergen Bk. A/S 6 89	‡0¼	97	97½	28/11	12⅛	12.60
Bilbao Int. NV 5¾ 90	0¼	96½	97⅛	29/11	10.06	10.39
Citicorp O/S F. 83	§‡0	99	99½	23/11	11.44	11.52
Citicorp O/S F. 84	‡0	98½	99	30/8	9⅝	9.87
C. Itoh 5⅝ 87	0¼	98⅛	99⅛	18/9	18.44	19.56
Co-operative Bk. 6 86	0¼	97⅞	98⅜	15/11	11.44	11.66
Creditanstalt 5½ 91	§‡0¼	97⅛	97⅞	14/9	8.44	9.67
CNT 5⅝ 86	§0¼	100	100½	16/10	18⅛	18.08
GZB 5½ 89	‡0¼	97½	98	1/11	9.81	10.04
Jugobanka 8 89	0⅞	90	92	23/11	11⅛	12.77
Ind. Bank Japan ¼ 87	0¼	98⅛	99⅛	15/10	18⅛	18.84
Lloyds Eurofin 8 90 £	0¼	95⅞	96⅜	3/1	15⅛	16.38
LTCB Japan 5¼ 86	0¼	97⅞	98⅛	13/12	9⅝	8.81
LTCB Japan 5½ 89	0¼	97⅜	98⅛	7/12	10⅛	10.34
Mfrs. Han. O/S 5¼ 94	‡0¼	97¼	97¾	30/11	12⅛	12.44
Midland Intl. Fin. 5 89	0¼	97⅜	97⅞	20/12	9½	5.74
Midland Intl. Fin. 5¼ 92	0¼	97⅜	97⅝	5/12	10⅞	11.17
Nacional Fin. 6⅜ 86	0¼	97⅜	97⅞	25/1	9.69	9.94
Nat West 5⅛ 94	§0¼	98⅞	99⅜	11/10	18⅛	18.79
Nippon Credit 6½ 86	0⅛	97⅛	97⅝	12/1	8.56	8.81
Nippon Credit 5⅝ 87	‡0¼	†97⅞	98⅜	8/11	10⅞	11.08
Royal Bk. Scot. 5⅛ 94	§‡0¼	98	98½	11/10	9.31	9.48
Soc. C. de Bque. 6½ 87	0¼	99	99½	3/10	20.06	20.21
Standard Chart. 5¼ 90	0¼	98⅜	99⅛	5/8	17⅛	17.42
Svenska Hndlsbk. 5 87	0¼	97⅜	98⅛	15/1	10	10.20
Sweden 6⅛ 81	‡0¼	†95⅞	96⅛	16/10	8.56	9.95
Williams & Glyn 5½ 91	0⅛	98⅛	98⅝	14/9	18½	18.78
Bq. S. d'Alg. 4⅛ 89 SF	0⅛	†89	91	18/12	6⅛	6.81

Average price changes... On day 0 on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'boleg 7¾ 89	10/79	1457	†114	115	0	−0.81
Ajinomoto 7⅛ 96	2/80	616.5	115⅜	115½	−0⅛	−5.13
Alco Int. Fin. 9½ 94	1/80	40	†94	96	−0½	16.74
Apache I. Fin. 8⅜ 95	12/80	21.12	†120	121	−2½	−4.41
Asahi Optical 7 94	11/79	526.1	†96	87	+0⅛	−3.33
Blocker Energy 8¼ 95	1/81	21.87	†97½	98½	0	9.94
Canon 6⅞ 94	8/79	570	†109½	110⅛	−0½	1.55
Credit Suisse 4¾ 93	10/79	1278	107½	109	+0¼	−2.81
Daiei Inc. 6½ 94	11/79	927.3	†97¼	98⅛	−0¼	22.13
OOKK 11 90	4/80	324	†102½	103½	0	11.86
Dynelectron 9½ 95	8/80	12.22	†106½	107½	−1	−0.42
Ensearch Fin. 8½ 94	7/80	30.25	120⅛	123	−4⅛	−2.32
Inchcape Ltd. 8 95	2/81	4.55	100	100⅛	−0⅛	0.47
Meidensha Elec. 7 94	12/79	210	†100	101	+0½	2.79
MEPC 8¼ 96	2/81	2.47	103	104	−1	t1.37
Mitsubishi Cp. 6½ 94	10/79	549.1	*†129	130½	+2½	1.99
Ricoh 6⅛ 95	8/80	604	100	101	−1	6.41
SBC 6⅛ 90	9/80	200	98⅞	99⅞	0	4.50
Toshiba Cpn. 7¼ 94	10/79	198	†103	104	−1	−1.84
Union Bk. Switz. 5 89	2/80	121.4	99⅛	100⅛	+0½	−0.84
Fujitsu 5 84 DM	7/79	475	106⅜	107⅛	−0⅛	3.70
Sharp Cpn. 6½ 86 DM	8/80	596	104	104⅛	+0⅛	8.49
Uny Co. 6⅛ 85 DM	11/79	1071	98⅞	99⅛	−0⅛	22.53

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Aug. 29	90.81	10.62	78.11	11.90
Aug. 22	91.34	10.37	79.38	11.58
High '80	93.58	(18/6)	89.19	(2/1)
Low '80	86.32	(2/4)	71.54	(29/2)

EUROBOND TURNOVER (nominal value in $m)

U.S. $ bonds	Cedel	Euroclear
Last week	503.1	1,922.5
Previous week	792.8	3,011.8
Other bonds		
Last week	319.1	449.7
Previous week	530.9	608.5

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch International; Morgan Stanley International; Nesbitt Thomson; Orion Bank; Salomon Brothers International; Samuel Montagu and Co., Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on August 29

WORLD STOCK MARKETS

Indices

NEW YORK — DOW JONES

	Aug. 29	Aug. 28	Aug. 27	Aug. 26	Aug. 25	Aug. 22	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Industr'ls	932.59	930.98	943.05	955.41	956.25	966.10	966.72	759.13	1051.70	41.22 (2/7/32)
N'me B'nds	66.99	66.92	66.87							
Transport										
Utilities										
TradingVol 000's										

Day's high 835.45 low 823.04

	Aug. 22	Aug. 15	Aug. 8	Year ago (approx)
Ind. div. yield %	5.55	5.53	5.64	5.57

STANDARD AND POORS

	Aug. 29	Aug. 28	Aug. 27	Aug. 26	Aug. 25	Aug. 22	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	138.89	138.55	140.30	141.57	142.26	143.26	143.26 (22/8)	111.09 (27/7)	142.89 (15/8/80)	3.52 (30/6/32)
§Composite	122.38	122.08	123.52	124.84	125.16	126.02	126.02 (22/8)	98.22 (18.2)	125.85 (11/1/73)	4.40 (1 6/32)

	Aug. 28	Aug. 20	Aug. 13	Year ago (approx)
Ind. div. yield %	4.73	4.72	4.76	4.98
Ind. P/E Ratio	8.34	8.36	8.36	8.49
Long Gov. Bond Yield	11.32	11.10	10.87	8.96

N.Y.S.E. ALL COMMON

Aug. 29	Aug. 28	Aug. 27	Aug. 26	1980 High	1980 Low
76.53	70.35	71.15	71.86	72.47 (22/8)	65.30 (27/3)

Rises and Falls	Aug. 29	Aug. 28	Aug. 27
Issues Traded	1,858	1,888	1,916
Rises	736	381	488
Falls	733	1,173	1,115
Unchanged	396	328	374
New Highs	—	—	—
New Lows	—	—	—

MONTREAL

	Aug. 29	Aug. 28	Aug. 27	Aug. 26	1980 High	1980 Low
Industrial	384.05	384.37	390.74	396.68	428.80 (29/2)	325.21 (27/3)
Combined	359.54	369.20	396.66	369.68	378.90 (29/2)	296.96 (27/3)
TORONTO Composite	2216.8	2205.70	2242.31	2262.68	2271.7 (22/8)	1702.5 (27/3)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Tesoro	1,316,800	$24\frac{7}{8}$	$-5\frac{3}{8}$
Pullman	382,400	41	$+1\frac{1}{2}$
IBM	378,300	$65\frac{1}{2}$	$+\frac{1}{2}$
General Foods	334,900	$31\frac{3}{4}$	$+\frac{1}{8}$
Texas Utilities	296,100	$17\frac{1}{4}$	$-\frac{1}{8}$
ATT	293,000	$53\frac{1}{4}$	$+\frac{1}{8}$
Dow Chemical	287,400	$34\frac{7}{8}$	$+\frac{1}{4}$
Carling OK	280,000	$10\frac{1}{8}$	$+\frac{1}{4}$
Coast Corp.	272,600	33	$+1\frac{1}{4}$
Citicorp	268,100	$22\frac{1}{4}$	—

	Aug. 29	Aug. 28	Aug. 27	Aug. 26	1980 High	1980 Low
AUSTRALIA						
Sydney All Ord. (1966/59)	955.19	964.85	973.78	978.54	978.54 (28/8)	780.88 (2/7)
Metal & Minrls. (1856/59)	6147.89	6217.52	6314.15	6386.30	6688.96 (14/2)	4601.26 (28/3)
AUSTRIA						
Credit Aktien (2/1/62)	67.47	67.42	67.41	67.48	69.48 (7/1)	65.59 (19/8)
BELGIUM						
Belgian SE (31/12/63)	92.77	95.59	94.26	94.88	105.75 (11/2)	90.14 (31/6)
DENMARK						
Copenhagen SE (1/1/73)	86.67	86.59	86.28	86.23	97.26 (12/8)	74.78 (5/3)
FRANCE						
CAC General (29/12/61)	708.7	710.7	118.8	116.6	117.6 (22/2)	87.1 (3/1)
Ind Tendance (28/12/79)	118.2	116.5	117.0	116.2	117.6 (27/8)	95.6 (3/1)
GERMANY						
FAZ-Aktien (31/12/58)	229.65	230.56	232.37	232.62	238.99 (25/2)	212.75 (28/3)
Commerzbank (Dec. 1953)	718.8	725.9	730.0	738.7	749.2 (25/2)	667.6 (27/3)
HOLLAND						
ANP-CBS General (1970)	94.8	90.4	87.6	86.2	88.0 (25/7)	74.0 (27/6)
ANP-CBS Indust. (1970)	65.1	65.6	65.5	65.4	68.2 (11/1)	88.2 (28/3)
HONG KONG						
Hang Seng Bank (31/7/64)	126.05	1201.16	1218.83	1228.06	1229.86 (28/8)	738.9 (19/3)
ITALY						
Banca Comm. Ital (1972)	1221.12	123.48	125.07	121.56	128.25 (20/8)	86.11 (2/1)
JAPAN						
Dow Average (16/5/49)	6814.0	6879.05	6035.66	6906.05	6958.66 (27/8)	5475.93 (27/3)
Tokyo New SE (4/1/68)	476.62	476.85	478.43	477.94	479.53 (26/8)	448.81 (18/3)
NORWAY						
Oslo SE (1/1/72)	120.7	121.89	126.05	124.88	144.70 (14/2)	116.12 (28/3)
SINGAPORE						
Straits Times (1966)	599.97	596.48	601.17	605.66	605.66 (26/8)	429.75 (8/1)
SOUTH AFRICA						
Gold (1958)	—	(u)	822.9	808.7	622.9 (27/8)	849.5 (2/7)
Industrial (1958)	—	(u)	617.3	619.7	823.5 (2/18)	456.0 (2/1)
SPAIN						
Madrid SE (28/12/79)	105.92	105.46	105.82	106.71	106.82 (22/8)	86.79 (16/5)
SWEDEN						
Jacobson & P. (1/1/58)	365.15	364.90	357.21	359.18	366.99 (8/2)	334.72 (17/1)
SWITZERLAND						
Swiss BankCpn. (31/12/58)	318.60	308.4	309.7	309.5	317.9 (11/2)	278.0 (26/3)
WORLD						
Capital Intl. (1/1/70)	—	148.8	150.8	150.9	188.9 (21/8)	120.8 (27/3)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

AUSTRIA

1980 High	1980 Low	Aug. 29	Price %
666	636	Creditanstalt	636
336	336	Landerbank	336
365	365	Perlmooser	270
114	100	Semperit	166
267	236	Steyr Daimler	244
362	300	Veitscher Mag	300

BELGIUM/LUXEMBOURG

1980 High	1980 Low	Aug. 28	Price Frs.
2,450	1,340	ARBED	1,595
6,400	6,000	Banq Ind A Lux	6,000
2,170	1,865	Bekaert B	1,900
1,165	600	Ciment CBR	850
386	195	Cockerill	308
2,230	1,866	EBES	1,816
6,880	5,050	Electrobel	5,690

TEL AVIV

Company	Prices Aug. 17 1980	Change on the week
Banking, Insurance and Finance		
[illegible]	809	+ 17.0
[illegible]	884	+ 32.0
[illegible]	753	+ 12.0
[illegible]	—	—
[illegible]	592	+ 27.0
[illegible]	—	—
[illegible]	665	+ 13.0
[illegible]	696	+ 99.0
Land Development		
[illegible]	1,300	+100.0
[illegible]	665	—
[illegible]	—	—
[illegible]	544	+ 38.0
Investment Companies		
[illegible]	642	+ 29.0
[illegible]	887	+ 17.0
[illegible]	541	− 27.0
Industrial		
[illegible]	2,624	+154.0
[illegible]	542	+ 63.0
[illegible]	369	+ 28.0
[illegible]	265	+ 24.0
[illegible]	1,130	+ 38.0
[illegible]	523	+ 43.0
[illegible]	1,237	+167.0
[illegible]	1,501	+171.0
[illegible]	578	+ 31.0

Source: Bank Leumi le Israel BM.

Spanish prices, Page 14

APPOINTMENTS

IMI Cornelius Group reorganisation

Following the European link-up between IMI and Cornelius of the U.S., the new IMI CORNELIUS GROUP has announced a reorganisation of its European operations from October 1.

Three new companies will be formed: IMI Cornelius Group, Bradford, co-ordinating the activities of the operating companies and distributors, especially in the areas of new product development, marketing and finance; IMI Cornelius (UK), Alcester, handling all the drinks dispense products in the UK and Eire; and Marstair, Brighouse, covering the air conditioning activities formerly marketed through IMI Paxman.

Mr. Roy Amos, an executive director of IMI, becomes chief executive, IMI Cornelius Group. Mr. Robert Spencer, previously chairman of IMI Paxman and Redditch Controls, becomes deputy chairman, IMI Cornelius Group. Mr. Colin Greenwood, previously managing director, IMI Paxman, is appointed managing director. Marstair, and finance and administration director for the new European IMI Cornelius Group.

Mr. Richard Johnson, presently managing director of Redditch Controls, Alcester, becomes managing director, IMI Cornelius (UK); and Mr. George Deller, presently managing director, The Cornelius Company (UK), is appointed assistant managing director for the new company.

★

Mr. Ghias El Yafi has joined the ARINFI GROUP as director of corporate finance and group vice-president. He was previously vice-president at Merrill Lynch International and Co. Mr. Bassam Boukamel has resigned as corporate treasurer of Sogex International (an Arab contracting and engineering company) to join the Arinfi Group as director of projects and group vice-president. The Group is an international investment and merchant banking services company.

★

Mr. K. J. Lomax has been appointed to the Board of THE CENTRAL MANUFACTURING & TRADING GROUP. He will be the chairman of, and have full executive responsibility for, the Group's industrial services division. He was previously the managing director of Wellman Incandescent in Birmingham.

★

Mr. Nick Hodges, formerly with Johnson and Johnson, has been appointed managing director of SANGERS AGENCIES, a newly-formed subsidiary of the Sangers Group. Mr. Stewart Chambers, previously with Max Factor becomes sales director and Mr. Bob Chapman, also previously with Johnson and Johnson has been appointed operations director.

★

Mr. Walter Telfer has been appointed group finance executive of the LOW & BONAR GROUP, Dundee. He was previously finance director of the group's electrical engineering subsidiary, Bonar Long and Company. Mr. Ian Fraser group finance director, has resigned from the Board on taking up an appointment with Pittsburg National Seldon, a merchant bank in Sydney, Australia.

★

Mr. Eric Barlow has been appointed director personnel and industrial relations of NATIONAL GIROBANK from September 1. He will be based at Girobank, Bootle. Since 1970 he has been with J. Bibby and Sons successively as group industrial relations manager, group personnel controller and most recently as director of personnel, industrial group.

★

Mr. Martin Richmond has been appointed managing director of FRONTAPRINT, succeeding Mr. F. Edwin Thirlwell, who will become chairman.

★

The Secretary for Trade has appointed Mr. Michael King as a full-time member of the BRITISH AIRPORTS AUTHORITY for five years from September 1. Mr. King was an engineer with Laing Construction from 1961-74 when he joined the British Airports Authority as director of engineering. He transferred to Heathrow Airport as its director in 1977 and will continue to hold that post.

★

Mr. Edgar G. Turner, a director and deputy chairman of T. COWIE, has resigned from the Board and relinquished all other Cowie Group directorships but will continue as a consultant. Mr. D. N. C. Bedford has been elected to the Board of T. Cowie as an executive director.

★

Mr. Susumu Nakazawa has been appointed general manager of the London branch of the TOYO TRUST AND BANKING COMPANY. He succeeds Mr. Akira Jinuma, who is returning to Japan to take up a new position at the head office in Tokyo.

★

Sir Barrie Heath has been appointed to the Board of HESKETH MOTORCYCLES and has been elected chairman. Until the beginning of 1980 he was group chairman of Guest Keen and Nettlefolds. He is a director of Barclays Bank, Pilkington Brothers, Smiths Industries and Tunnel Holdings and a member of the European Advisory Council of Tenneco Inc.

CONTRACTS

Coal Board orders worth £15.5m

The NATIONAL COAL BOARD has awarded contracts worth an estimated total of £15.5m. The contracts, valid for a year, include £10.75m for struts for colliery arches which go to 15 firms in Wolverhampton, Barnsley, Sheffield, Wednesfield, Oldham, Middlesbrough, Warley, Newark, Leeds, Newcastle upon Tyne and Stafford. Contracts worth £1.6m for half-locked coil guide ropes have been awarded to firms in Doncaster, Mossley, Musselburgh and Birmingham. Contracts worth £1.9m for miners' leather safety boots and shoes have been awarded to firms in Heckmondwike, Wellingborough, Raunds and Bristol. Contracts worth £1.3m for wrap-around fishplates have been awarded to firms in Newcastle upon Tyne, Sheffield, Warrington.

★

BRENT CHEMICALS INTERNATIONAL has won its largest single order with a contract worth about £750,000 for component cleaning and penetrant inspection equipment and chemical supplies for the central overhaul facility of a major South American air force. Won by Brent's Spanish subsidiary, Brent Iberica S.A., part of the Group's Ardrox division, it includes magnetic particle inspection equipment, effluent treatment plant and a paint shop.

★

YATE FOUNDRY, a Newman Industries Group company, has been awarded a Ministry of Defence contract worth more than £300,000 for special Admiralty non-magnetic chain. The order is for nearly 60 tons of aluminium-silicon-bronze alloy anchor chain for use on new Royal Navy minesweepers. More than 1600 fathoms of the chain are being supplied to a 26 mm diameter link size, in continuous standard lengths of 15 fathoms or half lengths, with a breaking strength of 28.3 tons.

★

A mechanical building services sub-contract for £1.58m has been awarded to MARRYAT JACKSON NORRIS, Croydon, for work on the first phase of the new recreation centre in Darlington, Co. Durham. The project is to be known as the "Dolphin Centre." The contract embraces all heating, ventilating and water treatment services, together with all hot and cold water services for the Centre, on which work is about to commence. The first phase of the Centre is due to be completed in January 1982.

Speedlink wins five-year petfood contract

BRITISH RAIL'S high speed freight service, Speedlink, has won a five-year contract to move more than 300 tonnes of canned petfood daily from Paisley to Wisbech in Cambridgeshire.

The £500,000 a year contract was awarded by Spillers Food Ltd., which manufactures a wide range of petfoods at Barrhead.

Apart from petfoods for Scottish customers, the entire Barrhead production is transferred to the company's central distribution depot in Wisbech.

Previously, this traffic moved by road—but the creation of the Wisbech depot made rail attractive for long-haul bulk transport. Spillers has leased a former BR depot at Paisley Underwood and received a Government grant to carry out conversions and improvements.

COMPANY NOTICES

THE TOR INVESTMENT TRUST LIMITED

NOTICE IS HEREBY GIVEN that the Registers of the Cumulative Preference Shares will be CLOSED from 12th to 24th September 1980 inclusive.

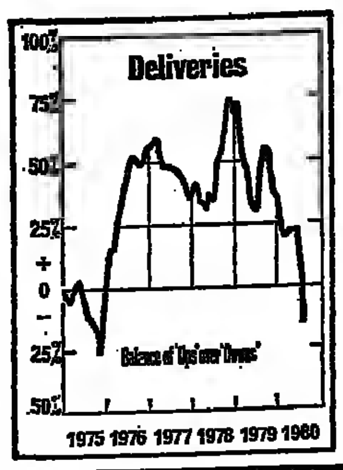
By Order of the Board.
J. TODD, Secretary.

FT Monthly Survey of Business Opinion

GENERAL OUTLOOK

Growing pessimism

BUSINESSMEN are becoming increasingly pessimistic about the prospects for their individual companies. More than three-quarters of the companies interviewed this month say they are less optimistic than when last questioned in April. Consequently, the general business confidence indicator has fallen to around the lowest level since early 1974, during the period of three-day working. The main reason is that the recession is now more severe than had been anticipated.



Industry has, on balance, become slightly less optimistic about the outlook for the economy as a whole though this indicator has not fallen significantly in the past few months. Many businessmen still appear to have confidence in the long-term prospects for the Government's policies. However, several of the companies interviewed mentioned the profoundly depressing effect of these policies upon manufacturing industry and at least one company wondered whether the Government was as concerned as it should be about this effect.

GENERAL BUSINESS SITUATION

Are you more or less optimistic about your company's prospects than you were four months ago?	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. Distill. %	Paper Packaging Print/Pub. %
	4 monthly moving total				August 1980		
More optimistic	15	22	23	25	2	—	20
Neutral	27	33	35	37	2	36	—
Less optimistic	58	45	42	38	96	64	80

EXPORT PROSPECTS (Weighted by exports)

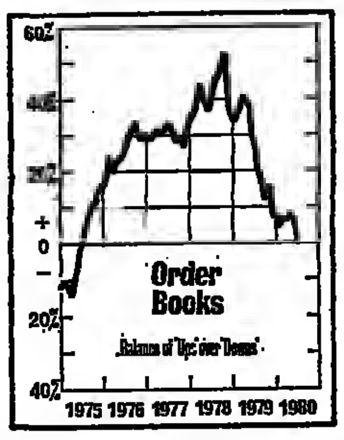
Over the next 12 months exports will be:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. Distill. %	Paper Packaging Print/Pub. %
	4 monthly moving total				August 1980		
Higher	48	48	49	45	51	61	42
Same	21	20	18	21	30	39	31
Lower	29	30	30	32	19	—	27
Don't know	2	2	3	2	—	—	—

ORDERS AND OUTPUT

Demand falls sharply

THE DEEPENING recession is now showing up clearly in falling demand and output. There has been a marked deterioration in the indicator for new orders over the last four months with no engineering companies reporting a rise over the period.

The fall in orders has also worked through to deliveries where all three sectors are more inclined than they had been last April to report a drop over the last four months. More companies now say their deliveries are falling than say they are rising. This indicator haa declined significantly in the last few months.



The weakening of demand is also affecting expectations about future levels of output. There has been an increase in the number of companies, notably in engineering, saying that they expect a fall in output of over 10 per cent in the next year. The overall indicator of expected production/sales turnover in the next 12 months has dropped to around the previous low point of October 1975.

NEW ORDERS

The trend of new orders in the last 4 months was:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. Distill. %	Paper Packaging Print/Pub. %
	4 monthly moving total				August 1980		
Up	25	29	32	36	—	18	20
Same	13	15	18	20	5	18	7
Down	39	29	20	19	92	64	57
No anwser	23	27	30	25	3	—	16

PRODUCTION/SALES TURNOVER

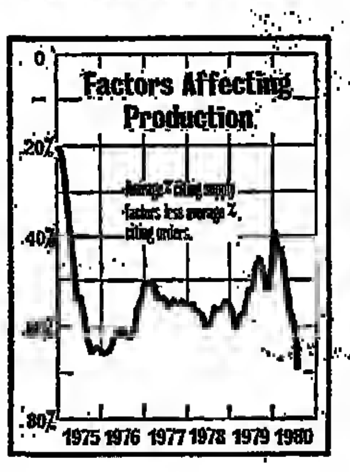
Those expecting production/sales turnover in the next 12 months to:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. Distill. %	Paper Packaging Print/Pub. %
	4 monthly moving total				August 1980		
Rises over 20%	3	3	3	5	—	—	—
Rise 15-19%	1	5	4	7	—	—	—
Rise 10-14%	3	2	4	5	—	—	20
Rise 5-9%	9	12	21	21	5	—	9
About the same	64	64	57	54	38	82	41
Fall 5-9%	6	4	1	1	5	—	30
Fall over 10%	6	3	3	1	30	18	—
No comment	8	7	7	6	22	—	—

CAPACITY AND STOCKS

Below planned levels

ALL THREE sectors are now inclined to say that they are working at below planned output levels than when last interviewed in April. Consequently, the capacity indicator bas continued to fall sbarply and is now down to the exceptionally low levels seen five years ago. The recession has increased uncertainty and fewer companies now say they are able to plan output for a period longer than six months.

More companies are now saying that output is affected by a sbortage of orders, particularly from abroad, and fewer companies are complaioing of shortages of components, raw materials or executive staff. The index of factors affecting production bas moved even further in the supply direction and now matches the level last seeo in 1975.



The fall in demand has meant that the indicator of stocks in relation to current sales trends bas remained at the historically high level reached two months ago. All three sectors interviewed this month expect stocks of manufactured goods to fall over the next year.

STOCKS

Raw materials and components over the next 12 months will:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. Distill. %	Paper Packaging Print/Pub. %
	4 monthly moving total				August 1980		
Increase	20	29	31	34	28	—	22
Stay about the same	51	45	40	36	42	64	71
Decrease	25	21	25	23	28	36	7
No comment	4	5	4	7	2	—	—
Manufactured goods over the next 12 months will:							
Increase	13	20	19	22	—	—	—
Stay about the same	44	46	46	45	30	64	27
Decrease	17	13	19	18	33	36	9
No comment	26	21	16	15	37	—	64

FACTORS CURRENTLY AFFECTING PRODUCTION

	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. Distill. %	Paper Packaging Print/Pub. %
	4 monthly moving total				August 1980		
Home orders	91	87	85	80	100	100	78
Export orders	56	49	48	50	99	73	55
Executive staff	2	4	9	9	—	—	—
Skilled factory staff	8	9	15	19	27	—	2
Manual labour	—	—	—	2	2	—	—
Components	—	1	1	6	—	—	—
Raw materials	6	9	15	19	—	—	—
Production capacity (plant)	8	7	9	11	22	—	—
Finance	5	3	1	2	—	18	—
Others	2	4	8	11	5	—	2
Labour disputes	10	8	16	26	22	18	22
No answer/no factor	5	9	8	8	—	—	20

CAPACITY WORKING

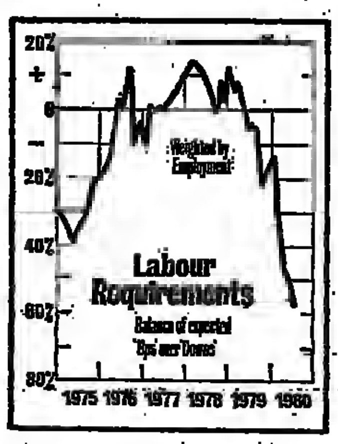
	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. Distill. %	Paper Packaging Print/Pub. %
	4 monthly moving total				August 1980		
Above target capacity	5	6	6	6	—	—	—
Planned output	39	50	62	68	24	—	59
Below target capacity	55	43	31	25	76	100	41
No answer	1	1	1	1	—	—	—

INVESTMENT AND LABOUR

Big job fall expected

COMPANIES responsible for the employment of nearly two-thirds of the labour force covered by the survey now expect employment to drop over the next year. All three sectors covered this month are more inclined to expect a drop than they were in April. All the engineering companies questioned say that lack of present or forecast demand is discouraging them from increasing employment levels.

Overall, a majority of companies mention product demand as a constraint on the number of employees rather than the structure of labour supply. There has, for example, been a steady decline in references to difficulties in recruiting staff with suitable skills.



There has been little change in the pattern of answers about expected levels of capital spending over the next year though the paper and connected industries group has revised down its plans. Consequently, the investment indicator shows little change with around 30 per cent of companies still expecting to increase the volume of their spending.

LABOUR REQUIREMENTS (Weighted by employment)

Those expecting their labour force over the next 12 months to:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. Distill. %	Paper Packaging Print/Pub. %
	4 monthly moving total				August 1980		
Increase	8	8	6	6	12	—	1
Stay about the same	26	30	36	35	10	28	40
Decrease	65	61	55	53	76	72	59
No comment	1	1	3	6	2	—	—

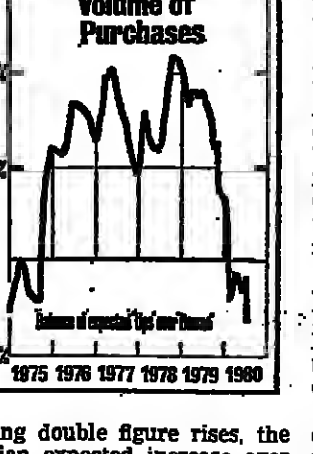
CAPITAL INVESTMENT (Weighted by Capital Expenditure)

Those expecting capital expenditure over the next 12 months to:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. Distill. %	Paper Packaging Print/Pub. %
	4 monthly moving total				August 1980		
Increase in volume	30	29	31	30	26	20	12
Increase in value but not in volume	14	18	18	22	2	20	2
Stay about the same	18	17	16	14	33	12	24
Decrease	33	32	34	32	39	40	49
No comment	5	4	1	2	—	8	13

COST AND PROFIT MARGINS

Inflation eases

Inflationary expectations are now clearly easing. A third of tha companies interviewed in the engineering sector expect wage rises of less than 10 per cent in the coming year. While most businessmen are still projecting double figure rises, the median expected increase over the next year has now slipped back a full percentage point over the last couple of months to 16½ per cent.

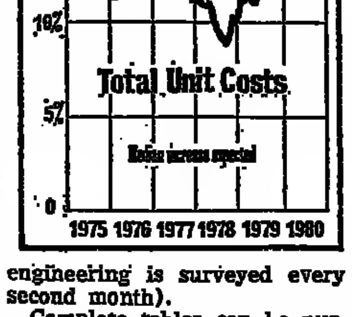


There has also been an increase in the number of companies expecting unit costs to rise by less than 10 per cent, the median expected rise declined for the second month running to around 14¼ per cent. Both the brewing and distilling and the paper and connected industries expect smaller price increases during the next 12 months than they had done last April. The median expected change bas dropped by roughly 1¼ percentage points in two months to just under 14 per cent. The indicator of profit margins has fallen for the fourth month running.

The business opinion survey is carried out for the Financial Times by the Taylor Nelson Group and is based upon interviews with senior executives.

Three aectors and some 30 companies are covered each month in turn. They are drawn from a sample based upon the FT Actuaries index which accounts for about 60 per cent of all public companies.

The all-industry figures are four monthly moving totals covering 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month).



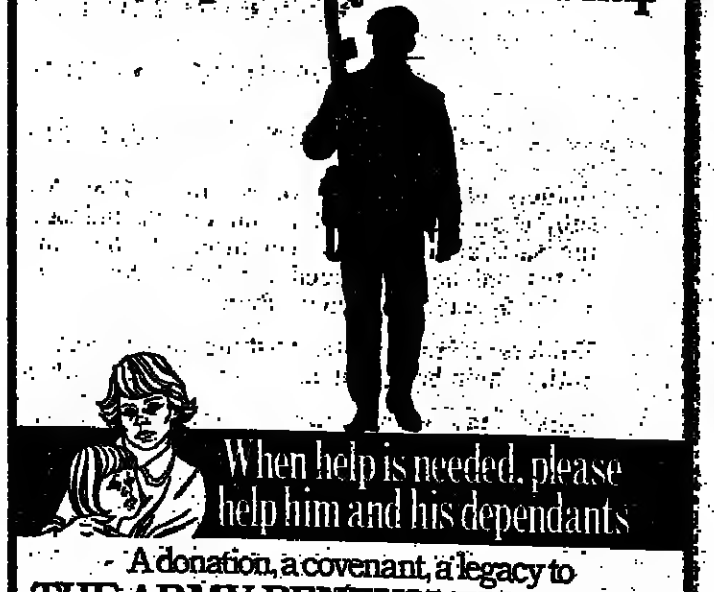
Complete tables can be purchased from Taylor, Nelson and Associates, 457, Kingston Road, Ewell, Epsom, Surrey.

COSTS

Wages rise by:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. Distill. %	Paper Packaging Print/Pub. %
	4 monthly moving total				August 1980		
5-9%	4	—	—	—	35	18	5
10-14%	28	20	13	11	25	64	36
15-19%	47	62	66	68	18	18	19
20-24%	13	11	15	13	—	—	40
No answer	8	7	6	8	22	—	—
Unit cost rise by:							
0.4%	1	—	4	4	—	—	10
5-9%	8	6	4	5	11	18	22
10-14%	39	38	30	37	47	55	11
15-19%	35	38	42	32	7	18	25
20-24%	3	3	5	4	—	—	7
Decrease	1	—	—	—	22	—	—
No answer	13	15	15	18	13	9	20

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. Distill. %	Paper Packaging Print/Pub. %
	4 monthly moving total				August 1980		
Improve	19	28	42	43	32	—	20
Remain the same	38	30	27	28	27	82	46
Contract	36	35	28	25	41	18	34
No comment	7	7	3	4	—	—	—



BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Giftware and Fashion Accessories Trade Fair (08833 4371) (until September 4)	Bristol Exhibition Centre
Current	International Watch, Jewellery and Silver Trades Fair (01-637 3836) (until September 4)	Earls Court
Sept. 1-4	International Environment and Safety Exhibition and Conference (0727 55574)	Wembley Conference Centre
Sept. 1-5	London Nursing Exhibition and Conference (01-643 8040)	Royal Festival Hall
Sept. 2-5	International Carpet Fair (021-705 6707)	Harrogate
Sept. 7-12	International Hardware Trades Fair (0727 63213)	Olympia
Sept. 9-11	Laboratory '80 (0799 22612)	Grosvenor House, W1
Sept. 9-20	Chelsea Antiques Fair (0727 56069)	Chelsea Town Hall
Sept. 11-19	International Printing Machinery and Allied Trades Exhibition—IPEX (021-705 6707)	National Exhibition Centre, Birmingham
Sept. 14-17	MAB '80 International Menswear Fair (01-839 5041)	Earls Court
Sept. 16-18	Ready to Wear Fashion Fair (01-637 2400)	Harrogate
Sept. 20-23	International Broadcasting Convention and Exhibition (01-240 1871)	Metropole Hall, Brighton

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Exhibition of Agriculture and Food Industry—OMEC (until Sept. 4)	Budapest
Current	International Fair (until Sept. 20)	Izmir
Current	International Bridge and Structural Engineering Exhibition (until September 5)	Vienna
Current	International Autumn Fair (01-493 3111) (until September 7)	Leipzig
Sept. 4-9	Jewellery, Gold, Silver, Clocks and Gifts Exhibition—BIJORHCA	Paris
Sept. 6-9	Ready-to-Wear Women's Clothing Fair (01-439 3964)	Paris
Sept. 6-9	International Leather Week (01-439 3964)	Brno
Sept. 10-18	International Engineering Fair (01-278 0281)	Zagreb
Sept. 12-18	World Fair of Photography, Photo, Cine, Audio-vision—PHOTOKINA (01-409 0956)	Cologne
Sept. 12-21	International Autumn Fair (01-486 1951)	
Sept. 16-20	International Tunnelling Industries Exhibition and Conference—EUROTUNNEL (0727 63213)	Basle
Sept. 17-26	International Office Equipment Exhibition—SICOB 01-439 3964)	Paris
Sept. 18-Sept. 23	International Exhibition for Automobile, Motor Car Workshop, Service Station and Garage Equipment—AUTOMECHANIKA (01-734 0543)	Frankfurt
Sept. 19-24	International Food Industry and Non-Food Products Exhibition—IKOFA (01-486 1951)	Munich
Sept. 21-24	Hardware Trade Show (QUOJEM) (01-405 8686)	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Sept. 1-3	Brunel Institute of Organisation and Social Studies: Understanding Production for non-production managers (0895 56461)	Uxbridge
Sept. 3	Cyril Aydon Associates: Current Cost Accounting—the New Standard (seminar for financial specialists only—Banbury 720124)	Stratford-on-Avon
Sept. 4	Institute of Directors: Beware the Vth Directive (01-839 1233)	Pall Mall, SW1
Sept. 4-5	FT Conference: The new Sri Lanka—Opportunities for Business (01-621 1355)	Colombo
Sept. 7-12	European Marketing Association: Marketing Management (01-742 4161)	University of Birmingham
Sept. 8-12	IPM: The Work of the Personnel Department (01-387 2844)	Embassy Hotel, W2
Sept. 10-12	BCPA: Complete Course for Personnel Officers (01-405 1023)	Southampton Row, WC1
Sept. 11	South Glamorgan Institute of Higher Education: Financial Futures—The Cardiff Seminar (0222 492121)	Cardiff Castle
Sept. 15-16	FT Conference: Developing the Annual Company Report (01-621 1355)	Savoy Hotel, WC1
Sept. 16	The Henley Centre for Forecasting: The Demanding Consumer of the '80s (01-353 9961)	London Press Centre
Sept. 17	IPS: Successful Trading in Commodities, Money and Foreign Exchange (0990 23711)	Great Western Royal Hot., W2
Sept. 22-26	IPM: Methods in Interpersonal Skills Training (029383 344)	Horsham, Sussex
Sept. 23	College of Marketing: Innovation 1—New product search, licensing and the generation of new ideas (06285 24922)	Cafe Royal
Sept. 24	ESC: The Profitable Exploitation of Microprocessors in Instrumentation and Control (057282 2711)	Gloucester Hotel, SW7
Sept. 25-26	AMR International: It's about time management (01-262 2732)	Portman Hotel, W1
Sept. 25	Institute of Management Services: Energy Saving in Transport and Distribution (01-363 7452)	St. Ermin's Hotel, SW1
Sept. 28-Oct. 3	AMD: Export Management (Windsor 56047)	St. John's College, Oxford
Sept. 29-30	AMR International: Positive Discipline (01-262 2732)	Cafe Royal, W1
Sept. 29-Oct. 2	Calus: Cost Engineering (0734 861101)	
Sept. 30	College of Marketing: Innovation 2—Evaluation and acquisition of new products, processes and technologies (06285 24922)	Cafe Royal
Sept. 30-Oct. 2	CPT: Public Transport in the Eighties Conference (01-831 7546)	Edinburgh
Oct. 1	FT Conference: Financial Futures for European Institutions (01-621 1355)	Hilton Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Celestion Inds., Brown's Hotel, Dover St., W., 12.00
[illegible]

BOARD MEETINGS—
Finals:
Apex Properties
[illegible]
Interims:
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

TOMORROW

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

WEDNESDAY, SEPTEMBER 3

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

THURSDAY, SEPTEMBER 4

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

FRIDAY, SEPTEMBER 5

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]

SATURDAY, SEPTEMBER 6

DIVIDEND & INTEREST PAYMENTS—
[illegible]

SUNDAY, SEPTEMBER 7

DIVIDEND & INTEREST PAYMENTS—
[illegible]

Hampshire road works to start in 1981

THE Department of Transport has announced plans for the improvement of a 4.4-mile section of the London to Penzance A30/A303 trunk road between Popham and Bullington in Hampshire.

This road is the principal direct route between London and the South-West. Work may start in 1981.

The plans follow a public inquiry last year. It led to recommendations, now accepted by the Government, that access to the Micheldever Station area from the West should be maintained by the addition of west-facing slip roads between the new trunk road and Freefolk Road. The westbound slip road can be provided over part of the existing A303 which was to have been stopped up. The eastbound slip road will require a new draft Order, and this will be published shortly.

The improvement will include a section of new road 2.5 miles long, which will leave the existing dualled section of A30 near Sheepdown Copse.

Preussag to run Hansa offshore supply fleet

BY KEVIN DONE IN FRANKFURT

PREUSSAG, the diversified West German transport, energy, and metals group, is to take over the running of the entire offshore supply boat fleet owned by DDG Hansa, the renowned West German shipping line which is going into liquidation.

The Preussag subsidiary, VTG (Vereinigte Tanklager und Transportmittel), which already owns 49 supply boats, will thus become the world's second biggest supply boat operator with a fleet of just under 90 boats.

The deal to take over the running of the Hansa offshore supply boat fleet with effect from today has been made possible by Hansa's creditor banks, which hold the mortgages on the boats, agreeing to form a company to take over ownership of the fleet.

VTG will take a 25.1 per cent share in this new concern, VVG Versorgungsschiff - Verwaltung, established with a nominal capital of DM 1m, while the group of more than ten banks will hold the remaining 74.9 per cent.

VTG, which has bought directly five of the DDG Hansa fleet of 44 offshore supply boats, will receive a management fee from the new holding company for running the fleet as well as having its equity stake.

A major attraction for Hansa in the deal is that VTG will also take over about 500 of the Hansa workforce, of which the majority will be sea-going personnel.

VTG and Hansa were already running their offshore fleet in a combined operation, the Offshore Supply Association, but this will now fall 100 per cent under VTG control.

The deal with Preussag and the creditor banks is the second major part of the orderly liquidation of DDG Hansa's interests.

A week ago Hapag-Lloyd, West Germany's largest shipping line, agreed to take over the running of DDG Hansa's scheduled cargo services to the Middle East and the Indian sub-continent. It has bought five of Hansa's 18-strong cargo fleet and has taken a further vessel on long-term charter.

Hansa still has 12 vessels to dispose of, including bulk carriers, ro-ro vessels, heavy lift ships and mixed container/bulk carriers.

Hansa is still hopeful that Hapag-Lloyd, which has already taken over 300 of its 2,300 personnel with the first batch of ships, will charter further vessels to give it the necessary extra tonnage to run the Hansa lines to the Middle East and the Indian sub-continent.

In addition, Hansa is to continue running temporarily its existing route from the U.S. to the Middle East in order to try to attract a buyer for these vessels as a going operation.

DDG Hansa applied for a composition-liquidation to the local Bremen court in the middle of August, when it realised that its accumulated debts of around DM 600m and expected further operating losses of DM 45m this year made further trading impossible. Hansa's creditors are expected eventually to receive around 40 per cent of their outstanding claims.

Record first-half earnings for AMIC

By Jim Jones in Johannesburg

ANGLO AMERICAN Industrial Corporation (AMIC), the holding company for Anglo American Corporation's South African industrial interests, has declared record first-half earnings for its six months, to June 30. Profit before tax rose to R113.9m ($150m), from R64.2m in the first half of 1979, and R150.0m for the whole of last year.

During the period AMIC's wholly-owned subsidiary, Scaw Metals, acquired an effective 35.25 per cent interest in Haggie, the steel wire and wire rope manufacturer, at a cost of R50.7m. Attributable results from Haggie were incorporated for the period. In addition, AMIC acquired an 80 per cent stake in Control Logic, the Servomechanism manufacturer, for about R6.7m.

Almost all AMIC's industrial interests, which range through drilling equipment, steel, paper, railway equipment, food and construction, contributed to the interim profit advance. Highveld, the steel and vanadium producer, in which AMIC has a 6.1 per cent interest, has reported weaker export markets, however, offset by domestic market strength. Elsewhere, paper is expected to make a strong contribution, with a start of operations of a fourth paper machine at the 62.7 per cent-owned Mondi.

Group capital expenditure commitments stood at R232.3m at end-June, against R107.4m at end-December, 1979. This includes part of the R70m cost of Mondi's fourth paper machine and a further R70m for the fifth one, to be commissioned next year. At Scaw Metals a new bar and section mill, ball plant and other capital works are being installed.

AMIC has declared an interim dividend of 42.5 cents, against 32.5 cents in 1979, from first-half earnings per share of 203.6 cents, compared with 137.2 cents. A total dividend of 105 cents were paid from earnings of 317.2 cents in 1979.

PENDING DIVIDENDS

	Date	Announcement last year
*Allen Hervey and Ross	Sept. 11	Int. 10.0
Amal. Metal	Sept. 20	Int. 3.0
APV	Sept. 27	Int. 2.8
Armstrong Equipment	Sept. 25	Final 1.72
Aurora	Sept. 18	Int. 1.55
*BICC	Sept. 9	Int. 2.75
BSR	Sept. 12	Int. 1.418
*Babcock Intl.	Sept. 10	Int. 3.4
*Bank of Scotland	Sept. 23	Int. 7.25
Berratt Devs.	Sept. 25	Final 7.355
*Barrow Hepburn	Sept. 16	Int. 0.8
Booker McConnell	Sept. 13	Int. 5.0
*Bowater	Sept. 9	Int. 4.25
*British Elec. Traction	Sept. 4	Final 5.719
*British Petroleum	Sept. 4	Int. due
British Vita	Sept. 13	Int. 2.4
Brown Boveri Kent	Sept. 20	Int. 1.429
*Cadbury Schweppes	Sept. 4	Int. 0.95
*Carpets Intl.	Sept. 10	Int. 1.75
Collins (W.)	Sept. 9	Int. 2.086
*Costain	Sept. 4	Int. 4.0
Croda Intl.	Sept. 20	Int. 1.5
Delta Metal	Sept. 20	Int. 1.82
European Ferries	Sept. 24	Int. 1.5
Expanded Metal	Sept. 12	Int. 2.0
Fisons	Sept. 24	Int. 5.895
*General Mining	Sept. 4	Int. 25 cents
*Guardian Royal Exchange	Sept. 3	Int. 5.0
Guest Keen	Sept. 20	Final 5.839
*Guinness Peat	Sept. 11	Final 4.0
*Hall Engng.	Sept. 26	Int. 3.1
*Hepworth Ceramic	Sept. 11	Int. 2.25
*House of Fraser	Sept. 2	Int. 2.0
Inveresk	Sept. 19	Int. 1.0
*Kleinwort Benson	Sept. 23	Int. 2.5
Laing (J.)	Sept. 25	Int. 1.0
Laird	Sept. 15	Int. 1.7
Laporte	Sept. 21	Int. 3.5
*Law Land	Sept. 17	Int. 0.714
*Lead Inds.	Sept. 10	Int. 37
Legal & Gen.	Sept. 19	Int. 2.6
*Linfood	Sept. 3	Final 6.75
Ldn. Merchant Securities	Sept. 8	Final 0.665
*Low and Bonar	Sept. 15	Int. 3.14
*Morgan Crucible	Sept. 4	Int. 4.5
*Northern Eng. Inds.	Sept. 4	Int. 1.25
*Norton and Peacock	Sept. 10	Int. 1.5
*P. & O.	Sept. 10	Int. 3.0
Ofrex	Sept. 11	Int. 1.4
Pearson Longman	Sept. 13	Int. 3.75
*Pearson (S.)	Sept. 9	Int. 5.75
*Phoenix Assce.	Sept. 3	Int. 5.8
Portals	Sept. 7	Int. 4.25
*Provident Financial	Sept. 2	Int. 2.2
Ransomes Sims & Jefferies	Sept. 17	Int. 3.14
Ready Mixed Concrete	Sept. 27	Int. 3.35
Prudential	Sept. 11	Int. 3.5
*Raybeck	Sept. 5	Final 2.87
*Reckitt and Colman	Sept. 9	Int. 3.5
RTZ	Sept. 12	Int. 4.5
Rockware	Sept. 12	Int. 2.33
Rowntree Mackintosh	Sept. 12	Int. 2.5
Schroders	Sept. 13	Int. 3.0
Simon Eng.	Sept. 17	Int. 4.0
*Sun Alliance	Sept. 3	Int. 13.5
Tarmac	Sept. 24	Int. 5.0
Tilling (T.)	Sept. 12	Int. 3.0
*Turner and Newall	Sept. 11	Int. 4.5
UDS	Sept. 12	Int. 2.8
Utd. Biscuits	Sept. 17	Int. 1.7
United Newspapers	Sept. 25	Int. 2.0
Vickers	Sept. 27	Int. due
*Weir Group	Sept. 3	Int. 1.863

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley 051 548 6555	13½	½ year	1,000	4-5

Hutchison to sell stake in Swift

By Philip Bowring in Hong Kong

HUTCHISON WHAMPOA is selling its 52 per cent interest in Swift and Company, a quoted Australian trading and storage company. The Australian food group, Mauri Brothers and Thompson, is bidding for the whole of Swift's capital and Hutchison has accepted the offer. The sale will bring Hutchison A$8.9m (U.S.10.3m) equivalent to HK$51.2m.

Swift made profits of A$800,000 last year, though profits in the first half of the current year were A$900,000.

CBA dividend up despite setback at finance arm

BY JAMES FORTH IN SYDNEY

THE COMMERCIAL Bank of Australia raised group earnings only 5 per cent, from A$ 36.4m to A$ 38.2m (U.S.$ 44.2m) in the year to June. The CBA was again held back by its finance company offshoot, General Credits, but the bank has, nevertheless, raised its annual dividend from 18 cents a share to 20 cents.

Profit of General Credits fell 6 per cent from A$ 13.3m to A$ 12.6m, on revenue up from A$ 135m to A$ 146m. Trading bank earnings, however, rose 16 per cent to A$ 18.9m, while profits of the savings bank rose 9.4 per cent to A$ 5.4m.

A major reason for the General Credits setback was the continued depressed condition of the motor vehicle industry and consumer finance.

The CBA, however, continued its unbroken series of profit rises each year, since 1970. Total assets passed the $1bn mark for the first time, and at the end of the year they stood at $1.01bn, compared with A$ 886m a year earlier.

CBA's provision against debts, including current outstanding advances which may be repaid, rose from A$ 33.9m to A$ 38.15m, after an increase in the amounts written off during the year.

BASE LENDING RATES

A.B.N. Bank	16 %	■ Hambros Bank	16 %
Allied Irish Bank	16 %	■ Hill Samuel	§16 %
American Express Bk.	16 %	C. Hoare & Co.	†16 %
Amro Bank	16 %	Hongkong & Shanghai	16 %
Henry Ansbacher	16 %	Industrial Bk. of Scot.	16½%
A P Bank Ltd.	16 %	Keyser Ullmann	16 %
■ Arbuthnot Latham	16 %	Knowsley & Co. Ltd.	18 %
Associates Cap. Corp.	16 %	Langris Trust Ltd.	16 %
Banco de Bilbao	16 %	Lloyds Bank	16 %
Bank of Credit & Cmce.	16 %	Edward Manson & Co.	17 %
Bank of Cyprus	16 %	Midland Bank	16 %
Bank of N.S.W.	16 %	■ Samuel Montagu	16 %
Banque Belge Ltd.	16 %	■ Morgan Grenfell	16 %
Banque du Rhone et de la Tamise S.A.	16½%	National Westminster	16 %
Barclays Bank	16 %	Norwich General Trust	16 %
Bremar Holdings Ltd.	17 %	P. S. Refson & Co.	16 %
Brit. Bank of Mid. East	16 %	Rossminster	16 %
■ Brown Shipley	16 %	Ryl. Bk. Canada (Ldn.)	16 %
Canada Perm't Trust	17 %	Schlesinger Limited	16 %
Cayzer Ltd.	16 %	E. S. Schwab	16 %
Cedar Holdings	17 %	Security Trust Co. Ltd.	17 %
■ Charterhouse Japhet	16 %	Standard Chartered	16 %
Choulartons	16 %	Trade Dev. Bank	16 %
C. E. Coates	16 %	Trustee Savings Bank	16 %
Consolidated Credits	16 %	Twentieth Century Bk.	16 %
Co-operative Bank	*16 %	United Bank of Kuwait	16 %
Corinthian Secs.	16 %	Whiteaway Laidlaw	16½%
The Cyprus Popular Bk.	16 %	Williams & Glyn's	16 %
Duncan Lawrie	16 %	Wintrust Secs. Ltd.	16 %
Eagil Trust	16 %	Yorkshire Bank	16 %
E. T. Trust Limited	16 %		
First Nat. Fin. Corp.	19 %		
First Nat. Secs. Ltd.	19 %		
Robert Fraser	16 %		
Antony Gibbs	16 %		
Greyhound Guaranty	16 %		
Grindlays Bank	‡16 %		
■ Guinness Mahon	16 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 14%, 1-month deposits 14¼%.
† 7-day deposits on sums of £10,000 and under 14%, up to £25,000 14¼% and over £25,000 14½%.
‡ Call deposits over £1,000 14%.
§ Demand deposits 14½%.

Public Works Loan Board rates

Effective from August 23

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	13¾	13⅝	13⅝	14¾	14⅝	14½
Over 5, up to 10	13⅝	13¾	13¾	14½	14⅝	14⅝
Over 10, up to 15	13¾	13¾	13¾	14⅝	14⅝	14½
Over 15, up to 25	13¾	13¾	13¾	14⅝	14¼	14¼
Over 25	13¾	13¾	13¾	14¼	14¼	14¼

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. ‡Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p‡	+ or —	Div. p. or Amount	Times Covered	Gross Yield	P.E. Ratio
¶¶	F.P.	—	260	610	Brint Invs.	255	......	—	—	—	—
¶¶	F.P.	—	352	342	BP Restricted Trans.	340	—2	17.5	4.7	7.4	5.2
160	F.P.	—	110	91	††Baker Electronics 10p	110	—4	b3.85	2.0	5.0	11.5
68	F.P.	—	90	72	Charterh'se Petrol'm	80	—1	b1.09	4.0	1.9	16.5
§381½	F.P.	—	100	72	Energy Capital (12½p)	76	—5	—	—	—	—
160	F.P.	—	163	155	††Marinex 10p	155	—5	—	—	—	—
§01	F.P.	—	72	67	††Rolfe & Noland 10p.	66	—1	t1.0	3.5	2.1	18.9
§c1	F.P.	—	70	56	†Shackleton Petrol.	60	+2½	—	—	—	—
§67	F.P.	—	65	75	††Utd. Electronic 20p	74	—1	b1.57	6.2	3.0	21.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or —
‖	F.P.	25/7	124	106½	British Home Stores 9% Cnv. Ln. '92	116	—1
¶¶	F.P.	—	107p	107p	Foseco Minsep 8½% Cnv Red Cum 2nd Prf	107p	......
¶¶	F.P.	—	103	102	Do 10% Conv Uns Ln 1990	103	——
¶	F.P.	30/10	98	27½	Newcastle & Gateshead Water 8½% RdP	97½	......
**	F.P.	28/11	102	100	Outwich 10% Pref.	101	——
¶	F.P.	9/8	105½	101½	South Staff. Water 9¼% Rd. Pf. '85	103	......
¶	F.P.	29/8	104	102½	Sunderl'd & S.Shields Wtr 9½% Rd. Prf. 1985	103½	—½
¶¶	F.P.	—	105p	102p	Tebbitt 7% Con. Cum. Red. Pref.	102p	——

"RIGHTS" OFFERS

Issue Price p‡	Amount Paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980 High	1980 Low	Stock	Closing Price p‡	+ or —
132	F.P.	25/7	6/9	184	146	Berisford (S. & W.)	181	—2
92	F.P.	30/7	12/9	141	125	Coalite	139	—1
50	Nil	65/7	26/8	90pm	85pm	Crest Nicholson	94pm	+1
15	F.P.	66/8	16/9	56	24½	Derritron	51	......
100	F.P.	15/8	12/9	426	127	Ferranti	415	—16
80	F.P.	10/8	16/9	110½	89	Lonrho	89	—1
120	F.P.	15/8	25/9	150	144	McKay Secs.	160	......
220	Nil	5/9	14/11	80pm	66pm	Mercantile House	77pm	—1
14	Nil	5/9	6/10	5½pm	6pm	Moorgate Mercantile	5pm	......
75	F.P.	20/8	10/9	110	95	Polly Peck	107	+4
10	F.P.	13/8	3/9	15½	11	Sturla	11	—½

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 participating pref. shares and 1 ord. share at R3.50 per unit. † Dealings under special rule.

Companies and Markets

CURRENCIES, MONEY and GOLD

Problems of a strong currency

BY COLIN MILLHAM

Sterling rose to its highest level for several years against the currencies of Britain's Common Market partners around the middle of last week. While the pound floats freely on the foreign exchanges other European Community currencies are linked together through the European Monetary System. Since members of the EMS are allowed only a small amount of divergence against each other, if sterling rises sharply against any EMS currency it improves by an almost equal amount in terms of five of the other six.

The only exception is the Italian lira, which is allowed a wider range of movement, but because it is anchored firmly to the bottom of the system the pound has risen even more strongly against the Italian currency to a record level of over L2,000.

Italy is a major competitor in many areas of manufacture, such as the motor industry and domestic appliances. The story is a similar one against other countries competing with the UK for a share of export markets. France, Europe's leading car manufacturing nation, has one of the firmest currencies in the EMS, but sterling rose above FFr 10 last week, for the first time since April 1975. West Germany, the strongest economy in Europe for many years, does not have the strongest currency in the EMS at present, and the pound touched a four-year high against the D-mark last week.

This year Japan has overtaken the U.S. as the world's largest car manufacturer, and a glance at the specification and prices of Toyota and Nissan products will tell why the U.S. and European manufacturers are so worried. A glance at the movements in the yen against the dollar and sterling will only confirm their fears, with the pound rising by about 100 yen to around Y520 in the last year and a half.

GOLD

	Aug. 29		Aug. 28	
Gold Bullion (fine ounce)				
Close	$631-634	(£263½-264¾)	$634-637	(£265¼-265½)
Opening	$636-635	(£264¼-265¾)	$631-634	(£263¾-265)
Morning fixing	$633.75	(£260.090)	$635.75	(£264.890)
Afternoon fixing	$631.25	(£205.901)	$635.30	(£265.516)
Gold Coins				
Krugerrand	[illegible]	[illegible]	[illegible]	[illegible]
Napoleon	[illegible]	[illegible]	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]	[illegible]	[illegible]
King Sovs.	[illegible]	[illegible]	[illegible]	[illegible]
Victoria Sovs.	[illegible]	[illegible]	[illegible]	[illegible]
French 20s	[illegible]	[illegible]	[illegible]	[illegible]
50 pesos Mexico	[illegible]	[illegible]	[illegible]	[illegible]
100 Cor. Austria	[illegible]	[illegible]	[illegible]	[illegible]
$20 Eagles	[illegible]	[illegible]	[illegible]	[illegible]
$10 Eagles	[illegible]	[illegible]	[illegible]	[illegible]
$5 Eagles	[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Aug. 29	£	$		£ Note Rates
Argentina Peso	4555-4575	1906-1915	Austria	30.10-30.40
Australia Dollar	2.0540-2.0590	0.8580-0.8585	Belgium	69.55-70.15
Brazil Cruzeiro	139.73-155.73	55.645-55.845	Denmark	13.19-13.29
Finland Markka	6.76½-8.77½	5.6608-3.6618	France	9.96-9.96
Greek Drachma	101.540-103.996	42.65-42.80	Germany	4.27-4.30
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Frc.	[illegible]	[illegible]	Norway	[illegible]
Malaysian Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr.	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth. African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	70-76

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

Aug. 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3860-2.3980	2.3960-2.3970	1.12-1.02c pm	5.35	2.53-2.43 pm	4.14
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Aug. 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3860-2.3980	2.3960-2.3970	1.12-1.02c pm	5.35	2.53-2.43 pm	4.14
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 70.10-70.20. Six-month forward dollar 4.05-3.95c pm. 12-month 6.60-6.50c pm.

FT LONDON INTERBANK FIXING (11.00 a.m. AUGUST 29)

3 months U.S. dollars		6 months U.S. dollars	
bid 16 5/16	offer 12 5/16	bid 12 7/16	offer 12 9/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

Aug. 29	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One Year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollar two years 12⅝-12⅞ per cent; three years 12⅝-12⅞ per cent; four years 12⅝-12⅞ per cent; five years 12⅝-13 per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.
The following nominal rates were quoted for London dollar certificates of deposit: one-month 11.20-11.30 per cent; three-months 12.00-12.10 per cent; six-months 12.25-12.35 per cent; one year 12.25-12.35 per cent.

LONDON MONEY RATES

Aug. 29 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days or	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One Year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 14¼ per cent; four years 14-14¼ per cent; five years 14-14¼ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15⅝ per cent; four-month trade bills 16¼ per cent.
Approximate selling rate for one-month Treasury bills 14⅞ per cent; two-month 14¾-14⅞ per cent; three-months 14⅞-14⅝ per cent. Approximate selling rate for one-month bank bills 15¾-16⅛ per cent; two-months 15⅝-15⅞ per cent; three-months 15⅝-15⅞ per cent; one-month trade bills 17 per cent; two-months 16⅞ per cent and three-months 16⅞ per cent.
Finance Houses Base Rates (published by the Finance Houses Association) 16½ per cent from September 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 16 per cent. Treasury Bills: Average tender rates of discount 14.9497 per cent.

CURRENCY RATES

Aug. 29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	16	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian F	[illegible]	[illegible]	[illegible]
Danish K	[illegible]	[illegible]	[illegible]
D'mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn. Kr.	[illegible]	[illegible]	[illegible]
Spanish Pts.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]

CORAL INDEX: Close 483-488 (+1)

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Henderson Admin. (Guernsey) Ltd.
7 New St., St. Peter Port, Guernsey 0481 26541/2
American O/S (US$) [illegible]

Rothschild Asset Management (C.I.)
P.O. Box 58, St. Julians Ct., Guernsey. 0481 26331

O.C. America Fd.†	US$2.10	2.23	—	9.79
PCSm. Co.***	100.7	107.3	—0.6	3.00
O.C. Commodity*	99.0	105.3	—1.0	4.93
O.C. Dir. Comdty.†	US$47.82	50.87	.....	2.45
O.C. Hong Kg. Fd.†	US$30.83	32.79	.....	—
O.C. Sterling Fd.**	£12.354		+0.02	—

**O.C. International Reserves Limited

[Remaining Unit Trust Service listings (Henderson Baring Group, Hill-Samuel & Co. (Guernsey) Ltd., Hill Samuel Invest. Mgmt. Intnl., N.V. Interbeheer, International Pacific Inv. Mgmt. Ltd., Jardine Fleming & Co. Ltd., Leopold Joseph & Sons (Guernsey), Kemp-Gee Management Jersey Ltd., Keyser Ullmann Ltd., King & Shaxson Mgrs., Kleinwort Benson Limited, Lazard Brothers & Co. (Jersey) Ltd., Lloyds Bk. (C.I.) U/T Mgrs., Lloyds Bank International, Geneva, M & G Group, Management International Ltd., Midland Bank Trust Corp. (Jersey) Ltd., Samuel Montagu Ldn. Agents, Murray, Johnstone (Inv. Adviser), Nat. Westminster Jersey Fd. Mgrs. Ltd., Negit S.A., N.E.L. International Ltd., Pacific Basin Fund, Phoenix International, Providence Capital Life Ass. (C.I.), Quest Fund Mngmnt. (Jersey) Ltd., RBC Investment Managers Limited, Richmond Life Ass. Ltd., Rothschild Asset Mgt. (Bermuda), Save & Prosper International, Schroder Life Group, J. Henry Schroder Wagg & Co. Ltd., Sentry Assurance International Ltd., Singer & Friedlander Ldn. Agents, Standard Chartered Intl. Gd. Fd., Stronghold Management Limited, Surinvest (Jersey) Ltd., Surinvest Trust Managers Ltd., TSB Unit Trust Managers (C.I.) Ltd., TSB Gilt Fund Managers (C.I.) Ltd., Tokyo Pacific Holdings N.V., Tokyo Pacific Hldgs. (Seaboard) N.V., Tyndall Group, Unilife Assurance (Overseas) Ltd., Union-Investment-Gesellschaft mbH, Utd. Intnl. Mngmnt. (C.I.) Ltd., van Cutsem & Associates Ltd., S. G. Warburg & Co. Ltd., Warburg Invest. Mngt. Jrsy. Ltd., Wardley Investment Services Ltd., World Wide Growth Management, Wren Commodity Trust) — prices [illegible]]

NOTES [illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.

Barclays Unicorn Ltd.

Baring Brothers & Co. Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia/Schlesinger

Brown Shipley & Co. Ltd.

Canada Life Unit Trst. Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Carliol Unit Fd. Mgrs. Ltd. (a)(c)

Cary, Seiss Unit Trust Managers (a)

Charities Official Invest. Fund

Chieftain Trust Managers Ltd. (a)(g)

Choulerton Fund Managers (g)

Confederation Funds Mgt. Ltd. (a)

Craigmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Emson & Dudley Tst. Mngmt. Ltd.

Equity & Law Un. Tr. M. (a)(b)(c)

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Friends' Provdt. Trust Mgrs.

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a)(b)(c)

Hill Samuel Unit Tst. Mgrs. (a)

Investment Intelligence Ltd.

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General Tyndall Fund

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.

M & G Group (y)(c)(z)

ManuLife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd. (a)

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt. (a)

Mutual Unit Trust Managers (a)(g)

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a)(g)

Northgate Unit Trust Managers Ltd.

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Saturn Fund Management Limited

Save & Prosper Group

J. Henry Schroder Wagg & Co. Ltd. (a)(c)

Scottish Equitable Fnd. Mgrs. Ltd.

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd. (a)(g)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co. (y)

Tyndall Managers Ltd. (a)(b)(c)

TSB Unit Trusts (y)

Ulster Bank (a)

Unit Trust Account & Mngt. Ltd.

Wieler Growth Fund

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Gresham Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Manufacturers Life Insurance Co.

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Pearl Life Assurance Limited

Phoenix Assurance Co. Ltd.

Planned Savings Group

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Prov. Growth Pensions & Annuities Ltd.

Providence Capital Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Lombard A'deen & Nthn. Mtl. Assur. Ltd.

Standard Life Assurance Company

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Sun Life Pensions Management Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions (a)(b)(c)

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bishopsgate Progressive—Ldn. Agents

Bridge Management Ltd.

Britannia/Schlesinger

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

Capital International S.A.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Craigmount Fixed Int. Mngrs. (Jersey)

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Eurobond Holdings N.V.

F & C Mgmt. Ltd. Inv. Advisers

Fidelity International (Jersey)

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Frankfurt Trust Investment-GmbH

Free World Fund Ltd.

G.T. Management Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Gartmore Fund Managers (Far East) Ltd.

Gartmore Fund Managers (I.o.M.)

Guinness Mahon Fd. Mgrs. (Guernsey)

Hambro Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
25May	25N	Exchequer 13pc 1980‡‡	99	[illegible]	13.09	15.35
15Jul	15Ja	Treasury 11½pc 1981‡‡	98	[illegible]	11.68	15.58
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INTERNATIONAL BANK

15F	15A	5pc Stock '77-82	85½	[illegible]	5.85	13.63

CORPORATION LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH AND AFRICAN LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1A	10	Aust. 5½pc '81-82	87xd	29.2	6.28	14.57
1J	1D	Do. 6pc 1981-83	83	30.4	7.36	13.11
1Ja	1J	N.Z. 7¼pc 1988-92	64¼	2.6	11.48	13.59
15J	15D	Do. 7½pc '83-86	79½	9.40	9.62	13.00
1M	1N	Sth. Africa 9½pc '79-81	96¼	27.3	10.22	15.95
1A	10	S. Rhod. 2½pc Non-Ass.	98	3.66	—	29.86
15Ja	15J	Do. 6pc '78-81 N.-As.	143	12.65	—	29.21

LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		Public Board and Ind.				
1Ja	1J	Agric. Mt. 5pc '59-89	58½	2.6	8.57	13.17
30J	31D	Alcan 10½pc '89-94	80	2.6	14.93	15.90
1M	1S	Met. Wtr. 3pc 'B'	27¼xd	1.8	11.06	13.16
30J	31D	U.S.M.C. 9pc 1982	100	16.6	9.16	—
30J	31D	Do. without Warrants	90½	16.6	10.19	13.90
		Financial				
30Ja	30J	FFI 13pc 1981	98⅜	[illegible]	13.21	16.78
20J	20D	Do. 14pc '83	98¼	[illegible]	14.25	14.65
31M	30S	FFI(UK Fn)5½pcDb. '80-2	86½	[illegible]	6.50	14.42
31M	30N	Do. 6¼pcDb. '81-84	79	[illegible]	8.10	13.58
11Ja	11J	Do. 10½pc Uns.Ln. '86	88½	[illegible]	12.65	14.08
11Ja	11J	Do. 11pc Uns.Ln. '88	88½	[illegible]	12.66	13.50
11Ja	11J	Do. 11¾pc Uns.Ln. '90	90½	[illegible]	13.25	13.95
14Mr.	14S	Do. 12½pc Un. Ln. 1992	89½xd	[illegible]	13.96	14.40
30J	31D	Do. 7¾pcADeb. '89-92	62½	[illegible]	12.00	14.15
31M	30S	Do. 7¾pcA Db. '91-94	62½	[illegible]	12.28	14.00
31M	30S	Do. 9pc'A' '91-94	73½	[illegible]	12.99	14.10
28F	31A	Do. 8¾pcLn. '92-97	66½	[illegible]	13.51	14.20

FOREIGN BONDS & RAILS

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
—		Antofagasta Rly.	75	8.71	—	—
1Ja	1J	Do. 5pc Pref.	55	2.6	—	—
1Ja	1J	Chilean Mixed	98	2.1	3	f3.10
	—	Chinese 4½pc 1898	19	—	—	—
	—	Do. 5pc 1912	18	—	—	—
—		Do. 5pc 1913	11½	—	—	—
	—	Do. 5pc 1925 Boxer	14½	—	—	—
—		Denmark 13pc 2005	14½	—	13	14.12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

Dividends Paid	Stock	Price	Last xd	Div. Gross	Cvr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F.MyAuN.	Hollinger $5	22⅜	26.7	s$2.20	—	3.7
Apr. Oct.	Hudson's Bay ‖	945pxd	11.7	$51.25	—	4.8
Jan. July	Hud.B.Oil G. $2½	12¼	28.5	h57½	—	1.8
Mr.Je.S.D.	Imperial Oil ‖	15	28.2	$1.40	—	3.5
Jan.Ag.J.O.	Inco ‖	10¼	31.7	72c	—	2.7
F.My.Au.N.	Int. Nat. Gas $1	545p	30.10	$1.00	—	6.9
Mr.Je.S.D.	Massey Ferg.‖	320p	11.77	—	—	—
—	Place Gas $1	102p	—	—	—	—
June Dec	Rio Algom	12½	25.10	$1.50	—	4.6
M.Je.S.D.	Royal Bk.Can. $2	19⅜	25.7	$2.56	—	5.0
SeDeMrJu	Seagram Co. C$1	24⅛	21.5	$US1.10	—	2.1
F.MyAuN.	Tor. Dom. Bk. $1	11⅜	27.3	$1.44	—	4.8
J.Ap.Jy.O.	Trans Can. Pipe	865p	26.6	$1.16	—	5.1

BANKS AND HIRE PURCHASE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES AND SPIRITS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING INDUSTRY—Contd.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS—Continued

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING MACHINE TOOLS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES—Cont.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

Head Office: The Financial Times Limited, Bracken House, 10 Cannon Street, London EC4P 4BY
Telex: Editorial 8954871. Advertisements: 885033. Telegrams: Finantimo, London.
Telephone: 01-248 8000.

Frankfurt Office: The Financial Times (Europe) Ltd., Frankenallee 68-72, 6000 Frankfurt-am-Main 1.
Telex: Editorial 416052. Commercial 416193. Telephone: Editorial 7598 234. Commercial 7598 1

INTERNATIONAL AND BRITISH OFFICES

EDITORIAL OFFICES

Amsterdam: P.O. Box 1296, Amsterdam-C. Telex 16527 Tel: 276 796

Birmingham: George House, George Road. Telex: 338650 Tel: 021-454 0922

Bonn: Presshaus 11/104 Heussallee 2-10. Telex: 8869542 Tel: 210039

Brussels: 39 Rue Ducale. Tel: 23283 Tel: 512-9037

Cairo: P.O. Box 2040. Tel: 938510

Dublin: Setanta Hse., Kildare St., Dublin 2. Telex: 747111 Tel: 779801 ext. 249

Edinburgh: 37 George Street. Telex: 72484 Tel: 031-226 4120

Frankfurt: Frankenallee 71-81 Telex: 416052 Tel: 7598 234

Johannesburg: P.O. Box 2128 Telex:8-6257 Tel: 838-7545

Lisbon: Praca de Alegria 58-1D, Lisbon 2. Telex: 12533 Tel: 362 508

Madrid: Espronceda 32, Madrid 3. Tel: 441 6772

Manchester: Queen's House, Queen Street. Telex: 666813 Tel: 061-834 9381

Mexico: Paseo de la Reforma 122-10, Mexico 6DF. Tel: 53513-68

Moscow: Kutuzovsky 14, Apartment 1, Moscow. Telex: 7900 Tel: 243 1635

New York: 75 Rockefeller Plaza, N.Y. 10019. Telex: 66390 Tel: (212) 541 4625

Paris: Centre d'Affaires Le Louvre, 168 Rue due Rivoli, 75044 Telex: 220044 Tel: 297 2000

Rome: Via della Mercede 55. Telex: 610032 Tel: 678 3314

Stockholm: c/o Svenska Dagbladet, Raalambsvagen 7. Telex: 17603 Tel: 50 60 88

Tokyo: 8th Floor, Nihon Keizai Shimbun Building, 1-9-5 Otemachi, Chiyoda-ku. Fax Tel: 241 2920

Washington: 914 National Press Building, Washington D.C. 20045 Telex: 440340 Tel: (202) 347 8676

ADVERTISEMENT OFFICES

Birmingham: George House, George Road. Telex: 338650 Tel: 021-454 0922

Edinburgh: 37 George Street. Telex: 72484 Tel: 031-226 4139

Leeds: Permanent House, The Headrow. Tel: 0532 454969

Manchester: Queen's House, Queen Street. Telex: 666813 Tel: 061-834 9381

Frankfurt: Frankenallee 68-72, Telex: 416193 Tel: 7598 1

New York: 75 Rockefeller Plaza, N.Y. 10019. Telex: 238409 Tel: (212) 489 8300

Paris: Centre d'Affaires Le Louvre, 168 Rue de Rivoli, 75044. Telex: 220044 Tel: 297 2000

Tokyo: Kasahara Building, 1-6-10 Uchikanda, Chiyoda-ku. Telex: J27104 Tel: 295 4050

Overseas advertisement representatives in
Central and South America, Africa, the Middle East, Asia and the Far East.
For further details, please contact:
Overseas Advertisement Department,
Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY

SUBSCRIPTIONS

Copies obtainable from newsagents and bookstalls worldwide or on regular subscription from Subscription departments: Financial Times in London, Frankfurt and New York

For Share Index and Business News Summary in London, Birmingham, Liverpool and Manchester, Tel: 246 8026

INDUSTRIALS—Continued

[illegible]

CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

INSURANCE

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

PROPERTY

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
—		Anglo-Dominion	145	—	—	—	—
—		Barymin	65	—	—	—	—
May		Burma Mines 10p	13½	14.4	0.62	1.1	6.6
—		Colby Res. Corp.	167	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	300	30.6	M0100c	1.8	19.1
—		††Hemerdon 10c.	95	—	—	—	—
—		Northgate C$1	370	9/77	—	—	—
Jan.	July	R.T.Z.	442	12.5	15.0	3.2	4.8
—		Robert Mines	24	—	—	—	—
—		††SPO Minerals 10p	93	—	—	—	—
—		Sabina Inds. C$1.	29	—	—	—	—
—		††SWCM 10p	32	—	—	—	—
—		Tara Exptn. $1	520	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- φ Figures or report awaited.
- †† Unlisted security.
- ※ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover [illegible]

[illegible] scrip and/or rights issue. [illegible] other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	33	......	Conv. 9% '80/82	£92⅞	......
Bertam	15	......	Nat. 9¾% 84/89	£81¼	......
Bdg'wtr. Est. 50p	440	......	Fin. 13% 97/02	£89xd	......
Clover Croft	63	......	Alliance Gas	48	......
Craig & Rose £1	£11	......	Arnott	200	......
Fife Forge	35	......	Carroll (P.J.)	65	......
Finlay Pkg. 5p	19	......	Clondalkin	120	......
Graig Ship. £1	£12½	−½	Concrete Prods.	84	+6
Higsons Brew.	75	......	Heiton (Hldgs.)	26xd	......
Holt (Jos) 25p	256	......	Ins. Corp.	275	......
I.O.M. Stm. £1	165	−3	Irish Ropes	40	......
Pearce (C. H.)	465	......	Jacob	33	+1
Peel Mills	45	......	T.M.G.	78	......
Sheff. Refrshmt	103	......	Unidare	75xd	......
Sindall (Wm.)	140	......			

OPTIONS

3-month Call Rates

Industrials					
		I.C.I.	27	Utd. Drapery	6½
A. Brew	7	"Imps"	6½	Vickers	12
BOC Intl.	6	I.C.L.	14	Woolworths	5½
B.S.R.	4½	Inveresk	4		
Babcock	8	Ladbroke	15	**Property**	
Barclays Bank	34	Legal & Gen.	15	Brit. Land	7
Beecham	10	Lex Service	0	Cap. Counties	9
Blue Circle	25	Lloyds Bank	24	Land Secs.	24
Boots	16	"Lots"	3½	MEPC	17
Bowaters	15	London Brick	6	Peachey	13
B.A.T.	20	Lucas Inds.	17	Samuel Props.	12
Brown (J.)	6	"Mams"	14	Town & City	2
Burton 'A'	10	Mrks. & Spncr	8		
Cadburys	5½	Midland Bank	26	**Oils**	
Courtaulds	8	N.E.I.	5	Brit. Petroleum	32
Debenhams	8	Nat. West. Bank	27	Burmah Oil	20
Distillers	17	P & O Dfd.	10	Charterhall	10
Dunlop	7½	Plessey	14	KCA	11
Eagle Star	15	Racal Elect.	22	Premier	13
F.N.F.C.	2¼	R.H.M.	4½	Shell	35
Gen. Accident	21	Rank Org.	15	Tricentrol	40
Gen. Electric	30	Reed Intnl.	16	Ultramar	35
Glaxo	10	Sears	5		
Grand Met.	12	Tesco	6	**Mines**	
G.U.S. 'A'	34	Thorn	23	Charter Cons.	14
Guardian	23	Trust Houses	12	Cons. Gold	40
G.K.N.	20	Tube Invest.	23	Lonrho	0
Hawker Sidd	15	Unilever	40	Rio T. Zinc	35
House of Fraser	15	U.D.T.	5½		

"Recent Issues" and "Rights" Page 20

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES
Monday September 1 1980

UNION LEADERS WARN THAT SOME MEMBERS WILL BE JAILED

TUC set to sabotage Act

BY CHRISTIAN TYLER, LABOUR EDITOR

TUC LEADERS predicted yesterday that the new labour laws were certain to be disobeyed and that trade unionists would be sent to jail.

The warnings came on the eve of the Trades Union Congress in Brighton where some 1,200 delegates are expected to approve today a campaign of non-co-operation with the Government, including industrial action where necessary to sabotage the Employment Act.

Their hostility is in contrast with the findings of recent opinion polls, which suggest—as the Government has been claiming — that shopfloor workers in general do not find the new laws unduly restrictive. A survey published in yesterday's Sunday Times seemed to add further support to the Government's argument.

After a meeting of the big transport workers' delegation, however, Mr. Moss Evans, general secretary, said that unions would find it necessary to break the law at times.

"When we negotiate with employers we will attempt to do so normally," he said. "But when the employer transfers work elsewhere, we will go there and picket even if we are breaking the law. We will impose economic sanctions as effectively as we can. Otherwise, what's the point of action?"

Mr. Evans was referring to those measures in the Act which limit lawful picketing to strikers' own places of work and considerably narrow the unions' legal immunity for sympathetic industrial action against employers not immediately concerned in the dispute.

According to Mr. David Basnett of the General and Municipal Workers' Union, it was "inevitable" that trade unionists would end up in jail. Both union leaders went further than the text of today's motion for the debate by saying that the general council of the TUC should take disciplinary action against unions which took advantage of the first clause of the Act which provides State aid for secret ballots.

Two other large unions, those of the engineers and electricians, confirmed their dissent from this line of attack on the Act. An attempt to make acceptance of State money for ballots automatically punishable by expulsion from the TUC was dropped from the agenda 10 days ago.

The issue apparently bound to dominate this 112th congress is unemployment. Many unions are now losing members rapidly due to the present wave of redundancies, and their officials look with alarm at the possibility of serious social unrest accompanying the decline of British manufacturing industry.

Although the Government will be blamed for the present 2m unemployment total, Mr. Evans yesterday confirmed the TGWU's intention to keep talking to Ministers in an effort to get policies changed. He made it clear that he thought the prospects of any kind of accord with the Government were very poor, and that the only thing that would make Ministers change their minds would be the onset of the next general election.

The customary attempts to draw up an agenda to satisfy all shades of opinion have succeeded on most of the major issues. But there will still be controversy later this week on foreign policy, notably the proposed TUC visit to Poland, and nuclear disarmament.

TUC membership falls, Page 4
Unions face uncertain future, Page 12

Labour Right accuses NEC

By Richard Evans, Lobby Editor

A NEW PHASE in the Labour Party's bitter internal struggle for control opens today with an accusation from the Right-wing that the National Executive Committee poses the gravest threat to the unity of the party and to the re-election of a Labour Government.

The battle will continue openly at the TUC at Brighton this week and will come to a head at the party conference in Blackpool at the end of the month.

There are ominous signs, however, from the final agenda of the party conference published yesterday, that splits run so deep on a number of issues that, no matter what the outcome of conference debates on the key constitutional issues, the arguments will continue.

Both party wings will be actively seeking support this week from the trade unions, whose votes will largely determine not only the constitutional issues but the future composition of the NEC, which moderate Labour leaders believe holds the key to party unity.

The latest attack on the NEC comes from the Campaign for Labour Victory, a right-wing pressure group backed by more than 100 MPs. It argues in a special TUC issue of its journal that the electorate will never vote for a party dominated by hard-Left personalities and policies.

Without naming Mr. Anthony Wedgwood Benn or his supporters, but leaving no doubt about its target, the CLV says "The arrogance of this faction's continued efforts to impose its own will on the Labour movement is hard to bear." The article is written in angry terms that illustrate the continued bitterness of the internal feuding.

It urges trade union leaders to ensure three or four changes of membership on the NEC, particularly in the women's section which has a strong Left-wing majority, in order to restore the balance. Right-wing leaders say such changes could take place this year, although similar hopes have been dashed on many previous occasions.

The final conference agenda contains no surprises, although it confirms the NEC's determination to seek major constitutional changes on the drafting of the party manifesto, the method of electing the leader, and the mandatory re-selection of MPs in each Parliament.

THE LEX COLUMN

Gilt-edged market loses its poise

Almost a month after the July banking figures were published, the gilt-edged market has still not recovered its poise. The ground briefly regained as a result of official support for the market has been lost again, and prices are slightly lower now than they were in the immediate aftermath of the figures.

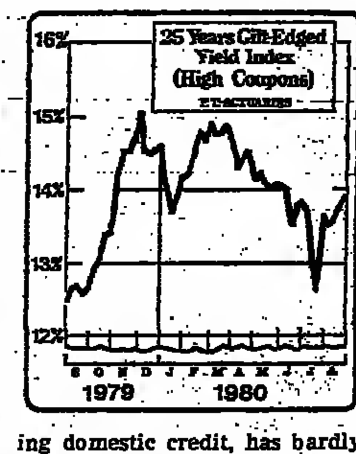
Yet evidence of recession in the economy is clearer and more widespread than ever. The gilt-edged market took no notice of the steep fall in ICI's profits last Thursday, and although today's CBI survey—showing that in a quarter of industrial sectors more prices are falling than rising (nationalised industries need not apply)—may do something for sentiment, it has become clear that recession alone is not enough to move interest rates down and bond prices higher.

The trouble is that while public borrowing needs are rising with the fall in economic activity, the private sector's demand for credit has not appreciably eased. A year ago it seemed reasonable to assume either that sterling would fall, or that wage increases would slow markedly; one way or the other, the competitive position of manufacturing industry would right itself, its financial position improve and its need for new borrowing fall. Optimistic forecasts of a decline in bank lending assumed that profit margins would not go on shrinking. As it is, they have borne the brunt of the adjustment. Wages may now be starting to respond, but it is rather late in the day.

Overstocked

Manufacturers' attempts to bolster their cash position by de-stocking have so far been inadequate. Demand in some sectors has been falling so fast that even companies which have slimmed down inventories considerably still find themselves overstocked.

The difficulties of interpreting the present position are compounded by uncertainties surrounding the conduct of monetary policy. The fiasco of the recent banking figures has to some extent destroyed the market's single-minded preoccupation with sterling M3. It is now generally accepted that the August figures will be bad—showing perhaps 3 per cent growth—and that the target range is likely to be re-based at a level so high that the authorities might contrive to stay within it. But no one seems to care very much. It is noteworthy that recent intervention in the gilt-edged and foreign exchange markets, which has the effect of boosting domestic credit, has hardly raised an eyebrow.



Sterling M3 may have been dislodged from its pinnacle, but the market has not found anything else to steer by. The most likely candidates are public borrowing and wages—both to some extent unsatisfactory guides—since it is difficult at this stage to make sensible predictions about this year's public sector borrowing requirement (other than that it will overshoot), and the shape of the wage round will not become evident for several months. Public sector pay is clearly the key, yet the market has been taken in so often by official declarations of implacable determination that it is unlikely to take too much on trust this year.

Worst of all is the uncertainty about what the Government Broker is up to. It is not just a question of day-to-day tactics — the entire funding programme is up in the air along with the monetary targets. No new stock has been supplied for nearly six weeks, and the long list of calls on partly-paid issues is at last nearing an end. At the same time, with the exception of the September banking month which will have the benefit of petroleum revenue tax payments, there is a lot of public borrowing to fund.

The traditional ritual would involve a short bloodbath in the gilt-edged market, the slashing of prices on an existing tap stock (the 1991 stock is now nearly six points clearer at its last official price) and the issue of a mountain of new bonds. This time, things are rather different partly because of gilt-edged calls, partly because of the increase in overseas portfolio investment, institutional liquidity is not high. The issue of new stock would only increase the Bank of England's problems in the money market, where it has been struggling to keep rates below the levels at which the clearing banks might start talking of raising base rates.

So the authorities may show some restraint in the matter of new taps, at least until the money markets become easier. Nevertheless, the investment institutions seem to feel there is no great rush to buy, on the principle that plenty of stock will eventually be made available around present yield levels. Experience suggests this view is probably right, unless the foreigners come in again and push the market up. But foreign buyers may be somewhat disenchanted with the gilt-edged market after the last month's fall.

It is always possible that the Government might change tack completely. But the major policy alternatives—an increase in personal taxation, or a cut in administered interest rates perhaps accompanied by a wages policy—still look unlikely, and the chances are that the authorities will simply soldier on, waiting, like the gilt-edged market, for the fall in corporate activity to show through in the bank lending figures.

TV contractors

The share price performance of Westward Television over the past month has effectively squashed the old adage that TV contracting represents a licence to print money. It has outperformed the market by around 10 per cent on speculation that boardroom rows will threaten its chances of obtaining a franchise renewal at the end of this year. The company may be worth more dead than alive.

All contractors will certainly be facing a severe profits squeeze when the second ITV channel opens and the new franchises become effective in 1982. The Independent Broadcasting Authority has estimated the rental increases for all the companies and, in the case of London Weekend, the bill will go up by around two-thirds to £3.6m. On top of that, it will need to find about £8.7m for its initial ITV 2 subscription. Last year pre-tax profits were a shade over £5m.

The contractors will, however, be able to offset most of the subscription cost against the levy they pay to the exchequer. A recent study by Hedderwick Stirling Grumbar estimates that the added rental and subscription costs will cause London Weekend a net profits reduction of £3.4m in 1982. Yet almost all the companies are backed by strong liquid assets so, with the prospect of sizeable advertising revenue building up from ITV 2, they should be able at least to maintain dividends. One consolation for the existing contractors is that, with the new channel and even breakfast television in the pipeline, the IBA may not want too many upsets at franchise renewal time.

Brokers to combat changes at Lloyd's

By John Moore

STRONG RESISTANCE by Lloyd's insurance brokers to key proposals of the Lloyd's internal report on self-regulation is expected to surface at meetings today and tomorrow.

The report, prepared by Sir Henry Fisher, a former High Court judge, has angered small and large brokers alike although there is a large degree of division among them as to their objections.

The Lloyd's Insurance Brokers' Committee, part of the British Insurance Brokers Association, is seeking views from all brokers at the meeting. It is intended that a report be submitted to Lloyd's 16-strong ruling committee.

The big brokers, called the "broker barons" in the Lloyd's market, object to the Fisher recommendation that the brokers should divest themselves of their links with the management companies of underwriting syndicates at Lloyd's. It was suggested that this was necessary to avoid possible conflicts of interest.

The brokers object because they do not want to lose the revenue that they earn through their association with underwriting syndicates.

The Fisher team drafted a Bill for Lloyd's to put before Parliament which would create a new ruling Council with wider disciplinary and regulatory powers. Divestment was not part of the required initial legislation although some observers outside the broking community argue that it should be part of a new Lloyd's Act.

The smaller broking firms are worried that their voice will not be heard in the new structure recommended for Lloyd's. Some of the smaller brokers have said that there should be a classification system for brokers for election to the Council.

If the brokers were elected using categories of size as a form of proportional representation, the smaller firms would be assured of a presence. Another worry that their views will not be reflected at Lloyd's arises because the Lloyd's Insurance Brokers Committee is largely dominated by the big broking battalions.

The smaller brokers fear too that any debate which might have taken place has been disrupted by the fragmentation of what was to be one main meeting of the brokers today.

The 265 brokers are now to be seen, in a last minute change of arrangements, at three smaller meetings. One representative from each Lloyd's broking group whose name appears in the list of Lloyd's brokers is to be allowed to attend.

Howe attempts to regain monetary policy initiative

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

SIR GEOFFREY HOWE, the Chancellor, returns to the Treasury today after a three-week holiday, to be faced with the problem of how the Government should try to regain the initiative in its monetary policy.

Discussion is likely to focus on a statement, or possibly a series of announcements in late October or early November. The monetary target is due to be reviewed then, prior to its half-year rollover, while the Treasury is due to publish its autumn economic forecasts.

These moves could be combined with any fiscal or monetary action, if that is thought necessary, and with the outcome of the current review of ways in which the Government might more directly tap the personal savings market through new national savings schemes. An announcement about measures to relieve youth unemployment could come earlier.

Major decisions are likely to be delayed as long as possible in view of the confusion created over the past month by the news of both a record 5 per cent rise in the money supply in July and a record £4.5bn of public-sector borrowing between April and June.

There is particular uncertainty about public-sector borrowing. Officials directly concerned with the subject believe that borrowing will reduce later in 1980-81 to not far above the £8.5bn level forecast in the March Budget. Their view has been reinforced by the £9bn estimate in last week's National Institute review.

Sceptical

Other advisers are more sceptical and are nearer to the opinion of City analysts, many of whom believe the outcome may be in the range of £10bn to £11bn.

This debate will largely determine whether the Government takes further action to hold down borrowing. Among the likely options are additional fund-raising from the oil companies, further sales of public assets, and a tighter squeeze on local authorities.

No decisions are likely to be taken on the monetary side as long as the figures are distorted by the impact of unwinding after the end of the corset controls on the banks. Further switching back of bank operations within the measured money supply is expected to inflate the August figures due to be published on Tuesday week and due to be seen by Sir Geoffrey at the end of this week.

The main question is the extent to which the Government will ignore the overshooting of its monetary target now occurring and introduce a new, and possibly tighter target, at this autumn's higher base level.

Most City analysts expect some such adjustment, as long as the underlying monetary prospects look more promising then. Any decision on Minimum Lending Rate is likely to have to wait for at least a month or two.

In the short term, however, Sir Geoffrey will have to decide, in conjunction with the Bank of England, about whether, and at what price level, to resume selling gilt-edged stocks. No new stocks have been issued since mid-July and the calls on the partly-paid stocks run out shortly. The problem is that prices of gilts have been falling steadily in recent weeks and it is not clear where a new price base could be established.

The other major decision, which may not be taken this autumn, is whether to press ahead with suggestions for reform of the short-term system of monetary control as outlined in the consultative Green Paper last March.

Call to sell public debt, Page 4

Westward bidder in jobs pledge

BY ARTHUR SANDLES

A NEW turn to the Westward Television saga has come with a pledge from one of the two rival bidders for the West Country commercial television franchise area now held by Westward that Westward staff would have their employment guaranteed if it wins the contract.

Westward's rival boardroom factions are seeking a judicial decision this week on parts of their row. There have been signs of concern from staff over the length of time the dispute is taking as the company reaches a decision over the future of the West Country contract.

Mr. Simon Day, chairman of West Country Television, said that "in recent weeks we have been approached by a number of people working for Westward TV expressing concern about the future. I understand that the present management of Westward has suggested that, should the franchise not be renewed, all the employees would lose their jobs.

"I should like to make it clear that as far as West Country Television is concerned this is not so. The present staff of Westward have the skills and abilities to bring about the improvement we want to make in the television service."

Mr. Day said that if WCTV won the contract it would offer employment "to all the present staff not involved in policy making and, as far as senior management is concerned, we would wish to talk to them on an individual basis."

At the same time Mr. Day said if WCTV were awarded the franchise it would seek to take over the Westward pension scheme and preserve the service rights of members.

Mr. Peter Cadbury, the former chairman of Westward launched a bitter new attack on the men he wants to oust from the top of his former company at the weekend.

In a personal letter to staff he accused the new management of runaway spending which, he said, could endanger the whole economic foundations of the company.

He said they had allowed the costs of a prestige costume drama about Sir Francis Drake to soar from an initial budget of £144,000 to more than £300,000.

Mr. Cadbury also attacked Westward's managing director, Mr. Ronald Perry, over his attitude to a proposed new management structure for the company.

He warned that spending by Westward on the legal wrangle for control of the organisation had reached "a dangerous level."

Mr. Cadbury's move came in advance of this week's appearance by both sides before Lord Justice Dillon to try to sort out the row over conflicting calls for a shareholders' meeting to discuss the dispute.

The majority of the present Westward board, headed by Lord Harris, wants the meeting to be held on October 17.

But Mr. Cadbury and his supporters want it to take place on September 10, and he warned in his letter that to wait until October could threaten the company's economic foundations.

News analysis, Page 6

Weather

UK TODAY

PRESSURE will be high to the South and troughs of low pressure will affect the North-west.

London, E. Anglia, E. and W. Midlands, E., C.N. and N.E. England

Some early fog patches. Mainly dry, sunny periods developing. Max. 24C (75F).

S.E. and C.S. England, Channel Islands

Mainly dry, sunny intervals developing. Max. 24C (75F).

S. and N. Wales, N.W. England, Lake District, I. of Man, S.W. Scotland

Mainly dry, coastal fog patches and drizzle. Sunny intervals developing. Max. 21C (70F).

Outlook: Rain in the North-west, spreading Southeast, followed by brighter weather

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	25	77	Locarno	F	24	75
Algiers	S	33	91	London	F	18	64
Amsdm.	C	17	63	Luxmbg.	R	13	55
Athens	S	28	82	Luxor	S	38	100
Bahrain	S	36	97	Madrid	S	31	88
Barclna.	F	26	79	Majorca	S	29	84
Beirut	S	29	84	Malaga	S	27	81
Belfast	C	17	63	Malta	S	29	84
Belgrd.	C	23	73	M'chstr.	F	17	63
Berlin	C	17	63	Melbne.	C	13	55
Biarritz	C	21	70	Milan	S	30	86
Bmghm.	C	18	64	Mntreal.	C	24	75
Blackl.	S	17	63	Moscow	C	17	63
Bordx.	F	22	72	Munich	C	14	57
Boulgn.	C	16	61	Nairobi	S	23	73
Bristol	C	18	64	Naples	F	27	81
Brussels	R	15	59	Nwcstl.	C	15	59
Budpst.	R	17	63	N. York	S	25	77
B. Aires	S	21	71	Nice	S	26	79
Cairo	S	33	92	Oporto	S	19	66
Cardiff	C	18	64	Oslo	F	17	63
Cas'b'ca	S	28	82	Paris	F	19	66
Cape T.	C	18	62	Perth	C	18	64
Chicago	R	22	72	Prague	C	17	63
Cologne	C	17	63	Reykjvk.	C	13	55
Cpnhgn.	R	13	55	Rhodes	C	25	77
Corfu	S	28	82	Rio J'o	S	25	77
Dublin	F	18	66	Rome	F	27	81
Dbrvnk.	F	25	77	Salzbrg.	C	14	57
Ednbgh.	S	18	64	Singapr.	C	29	85
Faro	S	29	82	Stckhm.	F	15	59
Florence	C	18	81	Strasbg.	R	15	59
Funchal	S	26	79	Sydney	C	25	77
Geneva	C	18	61	Tangier	S	35	85
Gibrltr.	S	25	77	Tehran	S	27	80
Glasgow	F	17	63	Tel Aviv	F	29	84
G'nsey	S	17	63	Tenerife	S	26	79
Helsinki	F	13	55	Tokyo	C	22	73
H. Kong	R	28	82	Toronto	C	25	77
Invrnss.	C	19	66	Tunis	S	31	88
Istanbul	S	25	77	Valencia	S	28	82
Jersey	F	17	63	Venice	C	21	70
Jo'burg	C	15	66	Vienna	C	18	64
L. Plms.	S	28	79	Warsaw	F	20	68
Lisbon	S	25	77	Zurich	C	14	57

C—Cloudy. F—Fair. R—Rain. S—Sunny.

Continued from Page 1

China

capital construction and defence. Defence, for example, has had its budget slashed by the equivalent of about $2bn.

Despite Mr. Yao's claim that industrial and agricultural targets are being met, revenue this year will drop by about $2bn. Yet Mr. Wang was able to say that a growth rate of 5.5 per cent in the national economy would be achieved this year because of adjustments in the prices of basic commodities and increases in depreciation rates.

Part of the problem on the revenue side this year are the projections for stagnant oil production. Mr. Yao forecast no increase in oil output this year. The Chinese may well face difficulties in meeting last year's targets because of the slowdown in production at Daqing, the country's main oilfield which is responsible for about 50 per cent of output.

Poland

Continued from Page 1

other agreements were to be finalised.

Compromise was reached on some points, including maternity leave with full pay. The strikers had said this should be three years, but it was set at a year on full pay and two years on half pay.

Strike leaders said they understood that the implementation of some programmes, including an increase in the number of free Saturdays, would be delayed until next year.

The Minister and the strike leader addressed the 700 delegates in the Lenin Shipyard conference hall. It was the first time Mr. Jagielski had entered the hall.

"These talks were difficult and required great effort. We wanted to understand your intentions," he said. "This confirms what Mr. Walesa said that, if a Pole is sincerely trying to talk to a Pole, they can always reach understanding . . . Our accord is a great thing but the best guarantee for its success will be your work. Work will be the best evidence of your patriotic intentions and your service to the people of Poland."

Mr. Walesa announced after the signing that the strike magazine Solidarity would now be the trade union newspaper.

The signing of the Gdansk agreement was later shown on national television, and millions of Poles had their first view of Mr. Walesa who was dressed in a teeshirt and crumpled grey suit.

The Gdansk strikers considered the agreement a victory, while voicing misgivings about whether the authorities would respect all its stipulations.

The new trade unions, if allowed to function fully in keeping with the agreement, would be similar to those in the West.

A point accepted by the strikers, however, was that the unions were not to challenge the Communist Party's leading role in the nation.

The stoppages in July and August brought out 200,000 workers in the Gdansk region alone and started to strangle the Polish economy.

Mr. Jagielski told strikers' delegates there had been "winners and no losers" from the agreement. Both he and Mr. Walesa.

David Satter writes from Moscow: The Soviet Union yesterday withheld comment on the decision but the Polish Communist authorities were criticised for "poor leadership."

The Communist Party newspaper Pravda quoted Mr. Gus Hall, leader of the tiny, pro-Moscow U.S. Communist Party, as saying that the strikes had taken place because of "weakness of leadership" and "distortions of socialist method and approach."

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London, EC4P 4BY.